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A U S T R A L I A

A Collision of Ideas:
An Institutional analysis of the 1995 Industry Commission's *Inquiry into Charitable*
Organisations in Australia
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None.

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Abstract

Economic, social and political change over the last three decades, driven by public choice theory and New Managerialism has impacted on the nonprofit community welfare sector in Australia. While there is little doubt that the sector is being called upon to carry a larger burden of welfare service delivery, there is less clarity around the impact of these changes on the values of the sector and its institutional forms and structure.

A considerable body of research in Australia and New Zealand has been produced which both seeks to defend the values and cultures of the sector, and to find ways to adapt to changing circumstances. Less empirical work has been done on understanding the institutional form of the sector itself. This research project takes the opportunity presented by the Industry Commission's 1995 "*Inquiry into Charitable Organisations*" to examine how institutionalised ideas are deployed in a discursive contestation with managerial ideas, and how this contestation reflects on a process of institutional change.

Political, economic and sociological theories are assessed for their capacity to address questions around the role of the sector with particular reference to its relationship with government, organisational behaviour under conditions of change and the changing ideas of the sector. Each of these theories provides important insights into one of more of these dimensions; however, their theoretical scope is not broad enough to address questions across all dimensions. Neoinstitutional theory provides explanations across both institutional stability and changes and is adopted as the theoretical lens. The analysis demonstrates that conceptualising institutional structures across normative, cultural and regulative dimensions and observing how ideas are deployed, manipulated and changed provides insight into institutional change processes.

46 documents from the 699 submissions and transcripts from organisations in the nonprofit community welfare sector were selected by purposive sampling for thematic analysis, which reduced the text to manageable code around ideas such as '*altruism*', '*accountability*' or '*competition*'. The identification of themes was then followed by interpretation utilising selected tools of discourse analysis, the most important of which was recontextualisation, or the process by which texts, words, ideas and discourses are rearranged and incorporated into other texts, in this case the reworking of all these ideas into the final report and recommendations of the Inquiry.

The analysis reveals that the legitimacy of normative and cultural ideas provides the sector with a counterweight to managerial ideas, in defence of established institutional forms. However, the analysis also reveals that the normative and cultural framework is decoupled from the regulative framework. In ordinary language this means that there is no close matching of what organisational representatives say that they believe in and how they put those ideas into practice. This was demonstrated by the relative paucity of policy ideas which they produced which could have articulated their normative framework. The analytical conclusions therefore provide a practical dimension, pointing to how the sector can act to shape its institutional form, and a theoretical dimension, deepening the understanding of the institutional change process.

Keywords

Not for profit, nonprofit, charities, third sector, voluntary, neoinstitutional theory, thematic analysis

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Chapter One

Introduction

This thesis is a study of the role of ideas in the creation, preservation and destruction of institutions. The specific focus of research is the institutional basis of the sector of nonprofit community welfare organisations¹ in Australia, and the specific event investigated is the 1993-95 *Industry Commission Inquiry into Charitable Organisations*².

The Inquiry marked a significant extension of interest into the business of the sector³ by an important agency delegated by government to advance microeconomic reform in Australia (Carroll, 1995; Quiggin, 1996). In this moment the attention of government fell upon the sector of nonprofit community welfare organisations, its interest driven by a concern to regularise and rationalise many aspect of the sector's institutional life, and most importantly its relations with government. Fundamental ideas around the constitution and role of the sector were discussed and contested, and in the process some of the institutional foundations of the nonprofit sector were revealed.

¹ The definition of the sector of nonprofit community welfare organisations is developed more fully in Chapter Two, however at this point it can be noted that as it is employed in this thesis it is in line with one adopted by Casey et al. This defines the sector as consisting of “*nongovernment, nonprofit organisations, usually administered by a volunteer management committee, working to deliver human services or to represent the interests of a specified constituency in regard to such services*” (Casey, Dalton, Onyx, & Melville, 2008). It “*provides an array of social, cultural, recreation, health and education services, or may specialise in a particular segment of the community such as aged, youth, or those with disabilities. The sector is predominantly made up of smaller organisations delivering services locally... (it) also includes numerous peak organisations that represent member organisations*” (ibid). The sector does not include large nonprofit corporate organisations such as hospitals. The initiative for establishment is not invariably from the community. Departments of government may seek the establishment of such organisations to fulfill program objectives.

² Subsequently referred to as “the Inquiry”

³ It is common usage within the nonprofit community welfare sector to refer to it as “the community sector” (M. Lyons, 2001, p9) or “the sector”, probably for brevity. For example the National and State Councils of Social Service, which are peak bodies for the sector each have a unit called “Sector Development” (Australian Council of Social Service, 2010; NCOSS Council of Social Service for New South Wales, 2010). For this reason, and also for brevity it may subsequently be referred to as “the sector”. This should not be confused with the term “the Third Sector” which refers to the wider world of nonprofit organisations. This distinction is elaborated in Chapter Two.

This study aims to contribute to research into the institutional foundations of the sector by identifying ideas and beliefs, which are largely assumed or taken-for-granted across the sector, but which have provided the nonprofit sector with legitimacy and institutional structure. It also seeks to show how the influential ideas of neoliberalism, managerialism and marketisation intersect with those ideas and how, in this instance, they are progressed, developed and changed in discursive contestation. By relating the institutional foundations of the sector to the pressures for change represented by managerial ideas it further seeks to contribute to an understanding of how institutional change is occurring in the sector and in relations between the sector and the State.

In this introductory chapter the implications to the sector of institutional change will be described and the history of sector reform in Australia culminating in the Industry Commission Inquiry into Charitable Organisations will be traced. Finally the aims of this research study and the structure of the thesis will be described.

Implications for the sector of institutional change

As the next chapter will demonstrate, Australian and New Zealand nonprofit literature over the last two decades demonstrates concerns that managerial reform has a range of impacts, much of which is perceived as negative. Some critique of the recommendations of the Inquiry which would introduce managerial reform is offered in the course of this work, however the main purpose of this research is not to evaluate the effects of managerial reform but rather to investigate the process by which managerial reform is affecting the institutional order of the sector.

Processes around the formation of State and National Compacts between sector and governments demonstrate the general principle that sector organisations continuously seek to position themselves advantageously in relation to government, in order to advocate strongly on social issues and provide the best levels of service to disadvantaged clients (Casey, et al., 2008, pp365-366). However, there are serious obstacles to this goal. The size and diversity of the sector makes it difficult to coordinate and reach agreement. McDonald refers to the many diverse institutional orders of the nonprofit sector rather than a single institutional order (McDonald, 1996), and draws attention not only to differences in size and economic and political power of sector organisations, but also the diversity of ideas which may be met

across the sector. Managerial ideas which may have been challenging, even shocking to some organisational representatives during the Inquiry may, by others, already have been assimilated into their operations.

The focus on gaining funding in an increasingly competitive market influences organisations to conform to the demands of funding organisations in the fear that funding organisations will redirect their monies. The recent conservative government in Australia (1996-2007), for example, by defunding and rationalising organisations and applying gag orders to its funding agreements created an environment in which organisations were forced to tread with care (Staples, 2006).

Conversations around Board meetings and strategic planning documents in the nonprofit sector focus on outcomes and output. While those conversations are analytical, the analysis undertaken is at the practical level of working out how to achieve those planned outcomes and outputs. Lack of time and increasing demands requires from managers a strict focus on utility and efficiency and there is little tolerance of conceptual or theoretical discussion unless it can be seen to have impact on the production of results. As a result, sustained analysis of the underlying rationalities or core beliefs which drive the sector or of the pressures for change and ways to manage that may be lacking in nonprofit organisations. The core beliefs about the sector which the sector holds are taken-for-granted and unquestioned. As pointed out by McDonald and Marston (2002b) this positions the sector as reactive, rather than proactive, in the face of institutional change.

The overall context of change for the nonprofit sector is the restructure of the provision of welfare through the 1970s to the 90s. Economic and social change, the increasing influence of the ideas of neoliberalism, economic rationalisation, managerialism and marketisation has brought pressures for change in this period which continues to impact on the sector.

While it is still uncertain how profound the changes wrought by the restructure of state arrangements for welfare provision will be, understanding institutional and organisational change is important for a range of reasons. Services to clients, the capacity of organisations to provide services and the overall structure of the mixed economy of welfare may all be affected by these changes. The late Mark Lyons, a noted researcher in Third Sector studies in Australia and New Zealand commented in 2000 that he believed understanding of the sector

was still “piecemeal” lacking coherent metatheory (M. Lyons, 2000b) . This analytic project aims to contribute to the project of developing such intermediate theory by focussing on the institutional structure of the nonprofit community welfare sector and highlighting the usefulness of neoinstitutional theory.

The choice of the Commission of Inquiry

The Commission of Inquiry was not the first initiative in Australia to explore issues to do with accountability and efficiency in the nonprofit sector. In 1979 the Senate Standing Committee on Social Welfare had conducted an inquiry into these issues (The Senate Standing Committee on Social Welfare, 1979). In addition the NSW Audit Commission in 1983 focussed on administrative reform which included the sector (Curran, 1983). By the mid 1990s a momentum for microeconomic and structural reform in Australia had developed under the direction of the Hawke-Keating government, notably influenced by the Treasurer Paul Keating who subscribed to managerial and economic rationalist principles (Gordon, 1996; Watson, 2002). The legacy of the Labour governments during this period (1983-91) has been significant reform around financial deregulation and privatisation of government enterprises, most significantly of the Commonwealth Bank (Gordon, 1996; Mills, 1993, p73). When Keating succeeded Hawke in 1991 he promoted John Dawkins to the post of Treasurer. Dawkins shared Keating’s economic philosophy and had overseen the extensive restructure and reform of Australian tertiary education under Hawke’s Prime Ministership. It was Dawkins who placed charitable organisations on the forward work plan of the Industry Commission in 1992 without, however, giving official reasons for doing so. He thereby left the purpose of the Inquiry open for speculation (McGregor-Lowndes & McDonald, 1993, p1).

The Industry Commission had its roots in the establishment of the Industries Assistance Commission (IAC) by the Whitlam government in 1973, replacing the Tariff Board (Quiggin, 1996, p25). As early as 1970, the political consensus around one of the pillars of the Australian settlement, protectionist barriers, was being eroded (Quiggin, 1996, p26). The establishment of the IAC signalled a shift in economic thinking, an antecedent to the gradual adoption of an economic reform agenda which aimed at restructuring the economy to achieve greater international competitiveness. In its transformations from the IAC to the Industry Commission in 1989, the Commission has been a significant tool of industry restructuring

and microeconomic reform for the Australian Government (Carroll, 1995, p77; Quiggin, 1996, p25). In addressing distortion effects to the economy the Commission typically has adopted a line that is informed by economic rationalist principles, and supported the introduction of competition and deregulation where inefficiencies are perceived to exist (Carroll, 1995, pp78-79, 81; McGregor-Lowndes & McDonald, 1993, p2) .

Appropriate alternative mechanisms of inquiry into the nonprofit sector could have included a Senate Standing Committee, or a joint Departmental and sector inquiry (May, 1994, p1 and footnote 1), however the choice of the Industry Commission signified to the sector that a particular framework would be applied to the Inquiry; the practices of the sector would be reviewed in the light of microeconomic reform principles (McGregor-Lowndes & McDonald, 1993, p2; Rogan, 1996, pp132-134).

The Terms of Reference (Appendix One) directs the Commission to examine and report on “*the size, scope, efficiency, and effectiveness of the services provided in Australia by charitable organisations*” (Industry Commission, 1995a, pXIII) and “*the administrative efficiency of charitable organisations*”(ibid) with a range of concerns around regulative inconsistencies. The final point of the Terms of Reference state that “*the Commission have regard to the established economic, social, industrial relations and environmental objectives of government*” (ibid), drawing attention to the dominant economic thinking at that level. Initial speculation about the purposes of the Inquiry focused on the reform of taxation benefits to charities, possibly unfair competition by tax exempt business owned by charities and the accountability and efficiency of the third sector as social service providers (McGregor-Lowndes & McDonald, 1993, p2).

For a sector that prides itself on being driven by ostensibly noneconomic values such as compassion and altruism such a framework was threatening to parts of the sector and the academic community which studies it (May, 1994, pp1-3; Rogan, 1996, p133). While the Industry Commission did not represent the Government, its recommendations would have been considered by the Government and may be translated into legislation and regulation. It was not a surprise, therefore, that disquiet was evident across the sector and in academic circles when the Inquiry was announced (May, 1994; McGregor-Lowndes & McDonald, 1994b). May for example cites a newspaper headline of the time which encapsulated these concerns echoing the language of a police investigation:

“Charities to be asked to help government with inquiries.” (May, 1994, p2)

McDonald and McGregor-Lowndes, noted unfavourably in their issues paper on the draft report that the thrust inherent in the issue of measuring performance of the “Charities sector” was *“an attempt to articulate the nonprofit and charitable sector within the dominant framework of industry or the market”* (McDonald & McGregor-Lowndes, 1994, p14). They also noted that significant parts of the sector were suspicious of managerialist practices despite the advantages that they may offer (ibid).

As will become apparent in this research, managerial ideas were not introduced to the sector by the Inquiry. It will become evident that these ideas had currency across parts of the sector, particularly at a managerial level. However, the Inquiry served to articulate the ideas into an agenda of reform. It would however, be a mistake to characterise the work of the Commission of Inquiry simplistically as one of managerial reform. The disquiet of the sector was based upon perceptions of the purpose of the Industry Commission and the dominance of an economic viewpoint reflected, for example, by the preponderance of economists in the Commission staff and the fact that two of the Commissioners were economists (May, 1994, p2). In fact, the viewpoints of the Commissioners were less clearly defined.

The Principal Commissioner Bill Scales is an economist with a career in industry and government. His background and understanding of industrial regulatory regimes is demonstrated by his interest and responsibility in workplace safety regulation (Swinburne University of Technology, 2008). Roger Mauldon, an Associate Commissioner is also an economist who has written on structural readjustment of the agricultural sector (for example, Mauldon, 1999). However, he is the founding president of the ACT Hospice Palliative Care Society (UWA Graduates), and therefore has some experience of the nonprofit sector. The third member of the Commission, Sister Margaret McGovern, also an Associate Commissioner, is a sister of the order of the Sisters of Mercy, and has spent her working career in the delivery of social services within the nonprofit sector, serving at a high management and planning level for the Institute of the Sisters of Mercy and the Mater Misericordiae Hospital. Her experience spans direct service, where she works as a counsellor and mediator, and in organisational management (Order of Australia Association, 1998). Sister McGovern, as a practitioner and long serving manager of social services in the

community and charitable field was evidently chosen specifically to represent the interests of that sector (Rogan, 1996, p134). In this context it is important to note that point 5 of the Terms of Reference specified that the “*Commission have regard to the objectives of the organisations*” (Industry Commission, 1995a, pXIV), reflecting a concern to encompass the values and purposes of the sector.

The Board of Commissioners was therefore, apparently chosen to reflect a balance of interests, and it would be incorrect to assume that the Commissioners adopted managerial ideas without interrogating them critically. Rogan comments that while the Commission recommended a range of managerial ideas, they also responded favourably to various submissions from the sector (1996).

The Inquiry worked to a tight timeline and was criticised for the difficulties which this gave nonprofit organisations in preparing submissions and in participating. Fifteen months were initially given for the Inquiry, which was subsequently amended to eighteen months (Industry Commission, 1995a, pXIV). Eight weeks was provided to respond to the Issues paper with written submissions (May, 1994, p4). These then provided the right of entrance to public hearings. Three months were then provided for a response to the draft (May, 1994, p4; McDonald & McGregor-Lowndes, 1994, pp20-21). Despite these timelines, 443 organisations submitted responses to the Inquiry and 156 of these were interviewed by the Commissioners (Industry Commission, 1995a, p29). The Commission was also criticised for a perceived lack of transparency on the grounds that respondents were not given adequate notice or resources to respond, but also because information provided by local, state and federal governments was not made available (McGregor-Lowndes & McDonald, 1994a, p2). Despite these problems some parts of the sector greeted the Commission as an opportunity. Robert Fitzgerald, President of the Australian Council of Social Services described the inquiry as “*a window of opportunity*” which would allow the distillation of “*fact from fiction in relation to the size and scope of the community sector*” (cited in Rogan, 1996, p134). Despite concerns about its implementation and that it would steamroll economic and structural reform across the sector there were therefore some moderating influences. These suggest that the process was less definitive and that the contestation to be explored in this research may reveal outcomes that are less categorical.

Aims of the study

This study follows the efforts of a small body of researchers who have applied neoinstitutional theory, an underutilised theoretical base, to the study of the nonprofit sector in Australia.

At this point it is useful to describe how institutions are framed in this research. It should be noted also that this research draws a distinction between institutions and organisations. A detailed exploration of institutions and various efforts made to define them within the neoinstitutionalist tradition is undertaken in Chapter Four. However, in this place a provisional definition is offered; the idea of an institution in this study draws heavily on the social constructionism of Berger and Luckmann, who described them as *reciprocal typification of habitualised actions* (Berger & Luckmann, 1967, p72), or in ordinary language the taken-for-granted understandings which shape relations with others. These taken for granted understandings determine what is considered appropriate and legitimate in behaviour and social arrangements. Neoinstitutional theory develops this core understanding of institutions to human relationships applying it to organisational forms. Institutionalised understandings about what is appropriate and legitimate shape the ways organisations are structured and how they behave. In this study a distinction is therefore made between institutional forms and the organisations which are generated from them.

Formal organisational structures arise in highly institutionalised contexts which allow new organisations to be created and force others to incorporate new practices and procedures (Meyer & Rowan, 1991, p41). Management structures, financial accounting standards, employment practices and regulative systems are disseminated across the institutional field. As new organisations are established they take on the institutional elements which have thereby been regularised and legitimated. So, for example, the organisational form of a nonprofit organisation is determined by community understandings, common patterns of management and organisational structure, norms of behaviour and legislation, among other factors. Institutional forms therefore provide templates for the production and reproduction of organisations. As these institutional forms change, so too do organisational forms.

In this research reference to institutions and institutional forms, unless otherwise specified, is to the institutional template rather than to specific organisations. This is not to disavow that some organisations in the Australian nonprofit field are so venerable and occupy such a large part of the nonprofit political economy (for example the Benevolent Society of NSW and the

Salvation Army across the country) that they may each be perceived as an element of the institutional field. However, the purpose of this research is to explore institutional elements at a metalevel, or at the level of institutionalised ideas widely subscribed to across the institutional orders of the nonprofit sector, rather than the role of organisations within the field.

Neoinstitutional theory and institutional theory more generally is concerned with the impact of ideas on the creation, maintenance, modification and destruction of institutions. A basic methodological proposition which is drawn from the theory is that processes of institutionalisation can be traced through their impact on the norms, cultures and regulative ideas of institutions. Likewise, reflexively, ideas can shape institutions (Beland, 2005; B. G. Peters, 2000). To the extent that the ideas professed by people working in organisations within the institutional form can be traced, the dimensions and direction of institutional change can be assessed. The insights of neoinstitutional theory, however, have not yet been adequately brought to bear on the nonprofit community welfare sector in Australia, a point which will be further discussed in Chapter Three, the literature review. This thesis seeks to break new ground by using neoinstitutional theory to draw connections between institutionalised ideas and the structuration of the sector through the Inquiry process.

This study explores one important moment in time (1993-1995) when the institutional framework of the nonprofit welfare sector was challenged through a collision with ideas of economic rationalism, managerialism and marketisation as represented by the Industry Commission. It is a thesis of this study that an established discourse of the nonprofit sector in Australia met, not for the first time perhaps, but for the first time systematically, a framework of managerialist ideas that had become dominant across other sectors of the political economy. These are concerned with efficiency, effectiveness and accountability.

The result can broadly be described as dialectical. Dialectic, as applied in this context of this research, is descriptive rather than strictly analytical. It metaphorically identifies the meeting of two families of ideas and their result. Firstly, important institutional ideas of both the sector and of the Commission can be identified, and secondly their dialectical “collision” with managerial ideas can be followed. The final result is a synthesis in the limited sense that the Commissioners seek to resolve that collision through the development of recommendations which capture reasoned outcomes of discussion and argument.

The process of reform of the nonprofit sector which is significantly marked by the Inquiry of 1993-95, has been revived, following a long hiatus under the Coalition, with the 2009

Commission of Inquiry, “*Contribution of the Not for Profit Sector*”, which makes explicit reference to the 1995 Inquiry (Productivity Commission, 2009). While the Inquiry is now old, these processes therefore continue to be of relevance.

Specifically then this research aims to:

1. Identify the institutionalised ideas which inform the thinking of respondents to the Inquiry who manage or work in nonprofit community welfare organisations.
2. Identify the discursive contestation around those ideas when challenged by the managerial ideas introduced by the Commissioners.
3. Evaluate the impact of the institutionalised ideas of the sector, as expressed by respondents to the Inquiry, on the outcome or the final Recommendations of the Inquiry.
4. Evaluate how a study of ideas can contribute to an understanding of the institutional change of the nonprofit community welfare sector.

The central research question is framed to promote an open investigation of the Inquiry, drawing attention to the institutional change as it manifests in a discursive context where ideas are advanced and contested:

“What can we learn about institutional change of the nonprofit community welfare sector from an interrogation of the 1995 Industry Commission’s Inquiry into Charitable Organisations in Australia?”

A preliminary view of the researcher’s stance

The interests and perceptual lens of the researcher impact on the direction and findings of the research and analysis (Denzin & Lincoln, 2003, p3). This issue is addressed in more detail in Chapter Five, in the context of the social constructivist epistemology which is adopted and defended there. It should be noted, however, that the researcher has been embedded in the community and government sectors most of his working life since the 1980s, and has therefore witnessed the effects of the application of managerialism to the nonprofit sector. At times he has been involved in some positive aspects of managerial reform in the disability sector notably in the deinstitutionalisation of people with intellectual disabilities, however he

also witnessed some of the impacts which can be described as negative, such as the struggle of organisations not to lose their sense of direction as they subscribe to funding programs and accountability requirements developed at governmental level. This tension continues and in some regards has intensified as the government extends its influence over the sector. It must be acknowledged that the instinctive bias of the researcher is towards a more balanced partnership of government and sector, against a dominant role for government, and that this bias may have revealed itself in the suspicion that not all motives and processes were transparent during the progress of this Inquiry.

To guard against the effects of this bias during this research extensive effort was made to maintain objectivity and seek valid results. This will be described more fully in Chapter Five. The choice of neoinstitutional theory as a theoretical framework was also a helpful aid to moving beyond a critique of managerialism to a more balanced assessment.

Thesis Structure

This thesis is divided into two sections:

The first section (Chapters Two-Five) outlines the application of neoinstitutional theory to the nonprofit sector and develops a methodology to be applied in this research task. A heuristic was adopted to evaluate important economic, political and sociological theories in relation to this research project. This heuristic requires theories to be able to situate ideas within a framework, and to explain organisational behaviour in response to those ideas. A theory was judged both explanatory and economic if it is able to encompass firstly, a structural dimension, that is the changing roles of government and nonprofit sector in the mixed economy of welfare; secondly, an action oriented dimension around organisational behaviour confronted with change and thirdly, an ideological dimension, that is, the normative and cultural frameworks of ideas which are in play during institutional change. Using this heuristic, current economic and political theories are assessed as generally inadequate for the purposes of the research. Current economic and political theories are strong on explanations of role, but do not provide frameworks which adequately explain organisational behaviour or the role of ideas. Sociological theory, and in particular neoinstitutional theory is described as being adequate in regard to this heuristic.

In Chapter Four, neoinstitutional theory is explored, highlighting its antecedents and foundations. Its value to the research is twofold. Firstly, neoinstitutional theory explores the microfoundations of institutions and institutional processes which explain institutional stability. The focus on the role of ideas in the creation and maintenance of institutional forms, through their reciprocal acceptance by agents (*reciprocal typifications*), draws attention to how they create a distinctive identity of the institutional orders of the nonprofit sector, and more importantly to the legitimacy of those forms.

Explanations of institutional stability, however, are not the only contribution which neoinstitutional theory can make. More recent development of the theory, taking into account issues of agency and power, draws attention to change in institutions. This is particularly focussed on the processes of deinstitutionalisation and reinstitutionalisation, but also more recently has begun to emphasise the ways in which institutions are destabilised. The agency of actors expressed through problem-solving and decision-making affect institutional forms, just as recursively, institutional forms determine what is possible across organisational behaviour. Neoinstitutional theory therefore demonstrates considerable explanatory flexibility around the axes of both institutional stability and change.

In this chapter, a framework of analysis, derived from W. Richard Scott, is identified. Its categorisation of the normative, cultural-cognitive and regulative pillars of institutions has explanatory power in terms of roles, ideas and organisational behaviour and is adopted as an analytic framework. The theory is used firstly to identify institutionalised ideas and then to describe how the effects of those ideas as they are deployed by agents both to convince other participants in the process and to resist what are perceived as the more threatening implications of managerial reform. A theoretical weakness of neoinstitutional theory is addressed, that is, its underconceptualisation of power relations. The neo-marxist framework of State power and hegemonic discourse, described in this chapter, is drawn upon to supplement the analysis.

Chapter Five develops a methodology based upon neoinstitutional theory and thematic analysis and drawing on techniques of discourse analysis. Identifying ideas within the submissions and more particularly within the transcripts of hearings is facilitated by applying microanalysis in some instances. As this is a contestation of ideas it should be expected that

there will be some obfuscation, whether unconsciously or strategically. The use of techniques of discourse analysis helps to interpret and clarify those moments, revealing how ideas are traded and their dominance assured, or alternatively how they are shifted and modified in dispute.

The Second Section (Chapters Six-Nine) applies the methodology developed in the previous chapter to the analysis of submissions made to the Industry Commission, the transcripts of hearings and the final report of the Commission. The format of chapters follows the dialectical process of the meeting and contestation of ideas.

Chapter Six identifies the thesis, or the discursive normative and cultural-cognitive ideas which inform the thinking of respondents to the Inquiry who manage or work in nonprofit community welfare organisations. Chapter Seven identifies the antithesis, the ideas of managerialism as introduced by the Commissioners and their discursive contestation with the ideas of the sector, and Chapter Eight analyses the final and synthetic resolution of those ideas in the Recommendations of the Inquiry. It assesses how the dynamics of power relationships affected the final outcome, and how the normative values and cultural-cognitive ideas of the sector fared in collision with managerial ideas.

Chapter Nine concludes that the reformist influence of managerial ideas results in a range of recommendations around efficiency and effectiveness, accountability and quality improvement. However, many of these ideas are modified in response to the advocacy of sector representatives. Sector representatives deploy the institutionalised ideas of the sector, drawing on the legitimacy which these ideas have accrued, to challenge some of the assumptions of managerial ideas. This impact can be overstated, however, as it will become apparent that in general, the changes made were around regulative detail rather than core concepts.

There are a range of significant findings which emerge around the institutional change process, some of which are also significant for the development of neoinstitutional theory. Firstly, power relations in the institutional change process are shown to be affected by the deployment of legitimated institutionalised ideas. Policy development is not simply a result of governmental control, but where there is a possibility of dialogue, as in the Inquiry; there

is also the possibility of a less powerful player having the capacity to influence outcomes. The significant variable here is that their power is supported by the legitimacy of the ideas which they advance. To some extent then legitimacy, which is a key concept of neoinstitutional theory, becomes a counterweight to the influence and authority of managerial ideas deployed by the Commissioners.

Secondly, rather than being a clear and easily demonstrable process, the institutional change process demonstrates an unsettling of ideas and an unevenness, uncertainty and irresolution. A range of microlevel effects are observable, including the constraining effects of institutional persistence, the bricolage of ideas and the hegemonisation of managerial ideas which affect the negotiation of the institutional order of the nonprofit community welfare sector.

Thirdly, as suggested above, the absence of well-worked out regulative policy ideas opens up a practical opportunity for the sector to influence the institutional change process. By developing policy solutions which are rich in regulative detail and co-ordinated across sector organisations, the sector can influence the development of accountability regimes which are responsive to its normative and cultural ideas.

The conclusion examines some of the limitations of this research and evaluates the explanatory potential of neoinstitutional theory to trace ongoing institutional change of the nonprofit community welfare sector in Australia and other national contexts.

Chapter Two

The Contextual environment: The nonprofit community welfare sector and change

The previous chapter introduced the aims of this research, to contribute to an understanding of the institutional elements of the nonprofit sector and of its institutional change. It was proposed that changing ideas are related to changing institutional forms, and that for the nonprofit community welfare sector in Australia, the occasion of the Industry Commission Inquiry into Charitable Organisations in Australia presents an opportunity to focus in on a moment in the institutional change and to observe a discursive contestation of ideas in that process.

In this chapter, firstly, a definition of the nonprofit community welfare sector will be provided and its dimensions described. This will establish the importance of the sector to the Australian economy and also outline its historical development within a mixed economy of welfare. The historical development of the sector is important from an institutional perspective because it highlights a critical concept which will be developed subsequently; the sector does not constitute a holistic and undifferentiated institutional field. Rather it constitutes a field in which there are many diverse institutional sub-orders. Metaphorically speaking, the sector resembles the ecology of a forest. While it draws its nourishments from the same soil a forest is made up of a multitude of different types of trees and plants. For example, some hug the ground (small community based organisations); others tower over the canopy (the great corporate charities). If we want to see the trees we have to see them, certainly as part of the wider ecology of the forest, but also as individuals opportunistically sharing the same territory. The historical evolution of the sector provides an insight into its institutional diversity.

Secondly, economic and social change with specific reference to managerialism, privatisation and marketisation will briefly be reviewed to identify them as antecedents to possible institutional change. While this is not a study into the impacts of managerial reform, the responses of the research community to these impacts are significant; they contribute to a generalised perception, which emerges in the transcripts of the Inquiry, that managerial ideas do *not* have positive outcomes for the sector.

Having established the context of economic, social and political change, the specific event of the Inquiry will be examined, and specifically the significance of the choice of the Industry Commission to conduct the Inquiry.

Finally two conceptual constructs will be reviewed. These illuminate the nature of the relationship of state and nonprofit sector, and are drawn upon in the interpretation of the analytic data of this research. These constructs are around post structuralist and post Marxist ideas of the decentered state and of hegemony. While both are complex and contested theories, their utilisation is justified in terms of the light which they throw on the complex relationships of government and sector and the dissemination of managerial ideas. In addition they contribute to the development of theories around power and institutional formation within neoinstitutional theory, the theoretical framework of this research.

Definition of the sector of nonprofit organisations and the sub-sector of nonprofit community welfare organisations

Providing a definition of the nonprofit community welfare sector requires an understanding of its positioning as a sub-sector within the wider world of nonprofit organisations. In turn, providing a definition of the nonprofit sector as a whole is challenging because of its diversity and size. The nonprofit sector has been given a number of names including the voluntary, charitable or Third Sector. For many researchers there is a belief that the Third Sector consists of a distinctive field of study, and over the last three decades Third Sector studies have developed as an academic field both internationally and in the region. Mark Lyons argued in line with international usage:

“Whether they are described as Third Sector or nonprofit sector or social economy or Civil Society, recognition of the importance of this diverse set of organisations has been one of the more important public policy developments of the last quarter century” (M. Lyons & Passey, 2006, p 90).

The forest of the nonprofit sector includes charities, associations, foundations, co-operatives and community organisations. It also includes sports and recreation organisations, schools, hospitals, religious bodies and artistic and cultural organisations and self-help organisations

(Lyons, 2001). In their synthetic analysis of the global picture, Salamon and Anheier said that the existence of such a sector “*remains at best a debatable proposition to the general public and much of the rest of the academic community*” (L.M. Salamon & Anheier, 1997, p2) and that finding a definition was difficult because of “*the great diversity of entities that tend to get lumped together in this third sector – ranging from tiny soup kitchens to symphony orchestras, from garden clubs to environmental groups*” (ibid). They addressed the task of definition systematically and reviewed legal, economic/financial, functional and finally structural-operational dimensions (ibid, pp30-33), and considered that the structural-operational definition was the most useful (ibid, p35). This defined nonprofit organisations as: organised for example by a charter of incorporation; privately owned or institutionally separate from government; nonprofit distributing; self-governing, and involving some meaningful degree of voluntary participation. The late Mark Lyons, a widely regarded researcher in the field in Australia defined the nonprofit sector similarly, that is structurally and operationally in terms of what he saw as a distinctive quality, as the product of collective action to provide goods and services (M. Lyons, 2001, pp5-7) He said that they consist of private organisations that are formed and sustained by groups of people acting voluntarily, and without seeking personal profit to provide benefits for themselves or others. As nonprofit organisations they are distinguished because the profit motive is not central to their motivation, and they are usually democratically governed (ibid). The difficulties of providing an all-inclusive definition of the sector are demonstrated by attempts to synthesise one, and it is not hard to think of exceptions to each definition provided. For example, there are clearly various sub-sectors to consider, of which the nonprofit community welfare sector is one. It is not uncommon for such organisations to have no volunteers, beyond the governing committee.

The definition of the sector of nonprofit community welfare organisations employed in this thesis is in line with one adopted by Casey et al. This defines the sector as consisting of “*nongovernment, nonprofit organisations, usually administered by a volunteer management committee, working to deliver human services or to represent the interests of a specified constituency in regard to such services*” (Casey, et al., 2008). It “*provides an array of social, cultural, recreation, health and education services, or may specialise in a particular segment of the community such as aged, youth, or those with disabilities. The sector is predominantly made up of smaller organisations delivering services locally... (it) also includes numerous*

peak organisations that represent member organisations” (ibid). The initiative for establishment is not invariably from the community and departments of government may seek the establishment of such organisations to fulfill program objectives.

Within this framework, the “nonprofit “constraint refers to the legal structure of organisations which do not allow the distribution of any surplus which they may generate to their members (M. Lyons, 2001, p6 and pp8-9). Even if initiated by government, such organisations recruit their membership and governing bodies from people in the community rather than government (ibid). A further dimension of the sense of “community”, which also links to the notion of “welfare”, is provided by their functional purposes in fulfilling the “public interest” or “public purposes”(L.M. Salamon & Anheier, 1997, pp31-32). While it is beyond the scope of this work to explore the contested domain of “public interest”, Salamon and Anheier quote McCarthy, Hodgkinson and Sumariwalla saying that it means:

“to serve underserved or neglected populations, to expand the freedom of or to empower people, to engage in advocacy for social change, and to provide services”
(1997cited, p32).

Nonprofit community welfare organisations are not informal. An organisation is formally constituted “when a group of people agree to a purpose and a set of rules that potentially enable the organisations to continue when its founders are no longer involved”(M. Lyons, 2001).

The Industry Commission rather than providing a fully developed definition, targetted a specific segment of the nonprofit community welfare sector, excluding health and education services (Industry Commission, 1995a, pXVI). These included:

“ non-government establishments, organisations, associations or trusts that are primarily established otherwise than for the purpose of profit or benefit to the individual members of the organisations, and the principal objects or purposes of which are charitable or benevolent, and which provide any of the following:

- i. welfare services, including income support and the provision of clothing, goods and food;*

- ii. *community services, such as care in people's homes or community centres provided to frail older people, younger people with a disability, and those requiring post acute or palliative care;*
- iii. *accommodation services, such as emergency shelters and hostels, and homes for children, frail older people, or people with disabilities;*
- iv. *nursing or convalescent homes, drug referral and rehabilitation, and blood transfusion services;*
- v. *employment and training services for the unemployed and people*
- vi. *with disabilities;*
- vii. *advocacy, referral, counselling, and legal services; and*
- viii. *emergency and development assistance overseas;”* (Terms of Reference, Industry Commission, 1995a, p XIII, see also Appendix One).

In this research references to the nonprofit community welfare sector, or “ the community sector” or “ the sector” (refer footnote3 , p1) are to these kinds of organisations, The reason is methodological, because they were the organisations which provided submissions and which were interviewed and which therefore provided the textual evidence which was analysed.

The size and extent of the sector

The Third Sector as a whole is significant in economic terms. Recent Australian Bureau of Statistics reports estimate that in 2009-10 there were approximately 58,779 organisations having an “active tax role” employing 889,900 staff (Productivity Commission, 2010, pXXVI). 4.6 million people report volunteering with nonprofit organisations, the wage equivalent of which is \$14.6 billion (ibid). Together they contributed 3.3% to GDP in 2000, which is comparable to the contribution of agriculture (M. Lyons & Passey, 2006, p90). Just under one third of their revenue, which totalled \$33 billion in 2000 comes from government (ibid). In addition, in the forest of the Third Sector , the sub-sector of nonprofit community welfare organisations have been extremely significant to Australian social arrangements as an agent for the delivery of welfare services⁴. This metaphor of the forest suggests a wide

⁴ As noted at footnote 3 Chapter One, for simplicity and for brevity, and because it is common usage in Australia to refer to “ the community sector” or “ the sector”, in this work references to “ the sector” are to the nonprofit community welfare sub-sector of the “Third Sector”.

range of differentiation, which becomes more obvious as the historical origins of the sector are surveyed. One of the benefits of the historical approach is that it provides theory development with a genealogical tool charting the various roles which charitable, voluntary and nonprofit organisations have played over time within the Australian welfare regime.

The genealogical approach sees the past not as static and finished, but present and continuing. Normative and cultural ideas of earlier periods are overlaid and reappear in various guises through Australian welfare and nonprofit history. In some cases, such as the Salvation Army and the NSW Benevolent Society, even the organisations persist.

This idea becomes significant as the institutional ideas of the sector are more closely examined in Chapter Six, and in relation to the idea developed in later chapters that a holistic, undifferentiated view of the sector, encapsulated in the idea of the Third Sector is not sustainable at least in institutional terms.

History of the nonprofit welfare sector in Australia

The nonprofit community welfare sector in Australia has a history that stretches back to the settlement of Australia, when services were delivered by charities. A number of phases of development can be traced. Initially, the state's role was dominant and so the governor assumed responsibility for the care of the settlers (Garton, 1990, p 17). Nevertheless it was not long before charities were established (ibid, p21). The Governor provided the bulk of funds, but administration was left in the hands of philanthropic enterprises and the Church (ibid, p45).

The characteristics of what was then the charitable sector varied from State to State, partly in response to the patterns of their settlement. Victoria, for example, was established without convict labour, and with its early development fuelled by gold rush wealth, thrived on private charity without extensive government intervention (ibid, p47). South Australia, in contrast had little private charity and most services were delivered by government (ibid). Queensland, Western Australia and Tasmania experienced a mix of private and public support. The stress of the Depression in 1890s, which saw charitable organisations overwhelmed by demand, eroded some of the dominant liberal thinking about individual responsibility, and paved the way for the development of Welfare State ideology (Dickey, 1987, pp 72,75-76 & 109-130). The boundaries between the state and nonprofit sector have always been shifting and fluid in Australia. The characterisation of a mixed economy of welfare, elaborated upon below,

captures the mix of modes of welfare service delivery in Australia. Charitable organisations were given a role; however, the development of this role was uneven. The failure of charity organisations to cope with the 1890s Depression and the growth in influence of ideas around universal provision of services led to a greater role for government in the provision of social support. Within the model, systems of non-government welfare were piecemeal and unsystematic. Churches were subsidised but left to go their own way, and significant fragmentation occurred because of colonial and state divergence, idiosyncratic development and sectarian rivalry (Murphy, 2006, pp44.12-44.13).

The historical approach to studying the sector helps to identify a number of layers of ideas. The first layer is constituted by a liberal tradition of providing residual welfare support through the charitable sector. This discourse is associated with ideas of the ‘deserving’ and ‘undeserving’ poor (Smyth, 2006, p100). These ideas have reappeared in modern Australia with the idea of mutual obligation (ibid, p103) and played a significant role in the approach of the Howard government to the nonprofit sector.

Secondly, a strong tradition of public provision of services goes right back to the establishment of the colonies, and reached its fullest expression through the establishment of elements of the Australian Welfare State in the post-war period. While support is provided primarily through the employment market and the informal family sector, community and public sectors have residual roles to play, and in specific economic and social sectors such as education and health it is a mixed role (Smyth, 2006, pp102-107).

Thirdly, the stimulus given to the development of local community organisations during the Whitlam era developed a recent tradition of small nonprofit organisations emerging from the community and expressing associative and collaborative democratic ideas (Healy cited in McDonald & Marston, 2002b, p378; Smyth, 2006, p107). The values and ideas of different types of community organisations are not necessarily congruent with other more traditional organisations emerging out of the charitable ethos.

If the forest can be employed as a metaphor to describe this diversity across the landscape of institutional forms of the nonprofit sector, a second metaphor can be employed to describe that diversity historically; the landscape is created by the sedimentation of layers of ideas.

Tolbert and Zucker's use this notion of "sedimentation" within institutional theory (B. G. Peters, 2000, p104) to describe how current practices may be established upon layers of values and understandings left from earlier times. Just as geologic forces can disturb those sedimentary layers and force them by earthquake and eruption into more recent levels, ideas which are old in terms of their development may re-emerge, perhaps taking on different forms. Diversity then exists across two dimensions, the current layout of institutional forms and its historical, but ever present legacy of ideas.

The nonprofit sector as a component of the mixed economy of welfare

The above discussion demonstrates that the "forest" of the nonprofit sector cannot be divorced from its historical evolution. This takes the form of the institutional structure of a mixed economy of welfare. The concept of a mixed economy of welfare was initially coined to describe the delivery of welfare across four sectors: State; market; voluntary, and informal or family sectors (M. Powell, 2007). As described above, the Australian version of the mixed economy of welfare is shaped historically by a strong tradition of public provision of services and a residual and fragmented delivery through the nonprofit sector, with mixed delivery across some arenas of social policy. When depicted graphically, authors usually show the voluntary and community sector occupying the middle ground, the ground of "Civil Society" balanced by the Public Sector on one hand and the Private Business sector on the other (Alcock, 2007, p 85; Evers & Laville, 2004b, p 17). A number of scholars have drawn attention to the progressive blurring of boundaries between these sectors as a consequence of the marketisation of social services and to the progressive transfer of responsibilities (Evers & Laville, 2004a; R. M. Kramer, 2004; Miller, 2004, pp62-66). However, the concept of the Third Sector continues to have legitimacy in academic circles and will be reviewed in Chapter Three, the literature review.

Between 1996-2005 the nonprofit sector in Australia grew by 10%. At the same time the for-profit sector grew by 32% and the number of government organisations stagnated (Wagner, 2005, p45). This indicates that there is a shift occurring in the balance of the mixed economy. The development of Compacts between State governments and the sector (Casey, et al., 2008), which address resourcing issues, and the recent revamping of State Awards in Queensland which recognise that pay rates for workers in the nonprofit sector have been grossly inadequate in comparison to their colleagues in the public sector (Community Sector

Industrial Relations Community Sector Industrial Relations Service, 2009) are some of the indicators that the consequences of this shift have not gone unremarked.

The changes in composition of the mixed economy of welfare have profound resourcing implications and are likely to have consequences on the future institutional structure of the sector. Notably this will be seen in the shifting of responsibility from the public sector to the community for delivery of welfare services. In addition, the shift in responsibilities and activity within the mixed economy of welfare may prove to be irreversible given the weight of economic and social change over the last four decades. The context of change is the fundamental restructure of the welfare state.

The context of economic and social change

The post-war consensus in the liberal welfare states of Britain, Australia and New Zealand was created out of the alliance of Keynesian economics, the post-War focus on the redress of both financial and social inequity and the social and philosophical theories of T.H.Marshall, Richard Titmuss and Lord Beveridge (Jamrozik, 2009, p6; Saunders, 2000,pp4-6). However, the dominance and extension of the model of the welfare state was challenged and fractured in the seventies by the economic crisis of the recession and the growing cost to the public purse of attempting to provide universal care, and by the perception that centralised welfare systems had not succeeded in what they had set out to achieve (Jamrozik, 2009, pp7-8) . Fear of a fiscal crisis of the state, no longer able to support its welfare programs, began to be expressed and criticism developed from both Right and Left of politics (Mishra, O'Connor, Hill and Bramely cited in Gilbert, 2002, p11). Two streams of thought developing from this perceived crisis can be identified, a stream which approaches welfare provision critically and a stream which approaches the role and size of government in service provision critically. Both streams converge in ideas around restructuring the welfare state and the provision of public services which have far-reaching impacts on the nonprofit community welfare sector. To facilitate the shift towards an ideal of smaller government the welfare state has been supplanted by social and political arrangements which have been variously described as the “enabling” state (Gilbert, 2002, p7) or “active society”(Gilbert, 2002, p62), and as the “post-welfare state”, a transitional phase characterised by uncertainty and the winding back of the notion of a right to welfare (Jamrozik, 2001, pp8-9). Gilbert identifies a new institutional framework which subordinates social welfare policies to economic considerations (Gilbert,

2002, p43) which shifts responsibility for welfare onto the individual and the family (Beck & Van Loon, 2000; J. Clarke, Gewirtz, & McLaughlin, 2001, p3). The nonprofit community welfare sector becomes a provider of last resort when government and the informal sectors fail the individual.

In addition to addressing perceived problems with the delivery of welfare reform initiatives have addressed the structure and functioning of government and its agencies. The state has been described as “overloaded” (Skelcher, 2000, p6). Increasingly characterized by a large but “ineffectual” bureaucracy, it has a role not only to develop policy and to administer it, but also to deliver services, and is unable to do so effectively. The dismantling of the “overloaded” state has been a key, if contested, agenda item of states of the liberal welfare type (Dudley & Bogaevskaya, 2006). It has been accompanied by radical changes to modes of governance which include the privatisation of government services and the devolution of service delivery functions (Miller, 2004, p56; Rhodes, 1994; Skelcher, 2000). In this way nonprofit community sector organisations commonly take on direct provision of services.

These changes to welfare state provision and to governance arrangements have been guided over the last three to four decades by intellectual influences which broadly can be included under the rubric of the neo-liberal project. These include Public Choice Theory, which is addressed in the next chapter as a significant economic theory which informs economic rationalism, and New Public Management or Managerialism. Without wishing to imply that these bodies of theory and ideas occupy the same space in ideological terms, as they have addressed different economic and governance issues, ideas deriving from these sources established themselves hegemonically over this period, converging on a vision of a small and efficient government within a minimal state, with a much bigger role for the market. In this vision, nonprofit organisations played a significant role as potential providers of services in the market (Gidron, 1992; R. Kramer, Lorentzen, H. Melief W. & Pasquinelli, S. , 1993; L.M. Salamon, 1995; Self, 1993, pp121-129). Of central importance at the time of the Commission’s inquiry were the ideas of managerialism, privatisation and marketisation of government services.

Managerialism

New Public Management (NPM) or Managerialism, seeks to reform an inefficient State (Christensen & Laegrid, 2007a, pp 4,8). It is a movement which as early as the early 1990s was identified, possibly prematurely, as passé (Davis, 1997, pp211-212). Managerialism may have passed its heyday, however, it has evolved, so much so that some commentators refer to the post-NPM era. Its ideas continue to exert influence (Christensen & Laegrid, 2007b, Preface).

Managerialism is characterised by antipathy to large bureaucracies; an ideological commitment to privatisation, and the extension of market systems (Taylor-Gooby & Lawson, 1993, p1). Some of the key characteristics ascribed to it are: increasing efficiency, devolution of responsibility, the use of contracts, and the application of competition principles (Christensen & Laegrid, 2007a, pp4,8). The Industry Commission Inquiry demonstrates that concern with increased efficiency and effectiveness quickly moved beyond the public sector in Australia, and was extended to the nonprofit sector. However the immediate impact of managerialism has been experienced through the privatisation of government services and their marketisation.

Considine frames the characteristics of managerialism within a high level paradigm involving four interlocking concepts: a *Product format*, by which he drew attention to the focus on outputs configured as products placed within a real or imagined market; *instrumentalism*, or the crystallising of government agencies as technical instruments in the hands of Ministers, dedicated to improving technical efficiency; *integration*, to reduce duplication and redundancy of service, and *purposive action* which elevates economic rationality above legal rationality as the guiding paradigm for the management of public service agencies (Considine, 1997, pp44-57). The guiding rationalities of managerialism are therefore not only a belief in the efficacy of markets but the commitment to rationalisation and integration. This becomes an important theme of the inquiry as the Commissioners explore the manifold inequities and inefficiencies across the State and Federal system, particularly around issues to do with funding and taxation.

Privatisation and marketisation.

The concept of the “overloaded” state described above, links to the market model of governance presented by Peters as one of four dominant styles of governance that are

developing in liberal democracies (G. Peters, 1996). The market model of governance is of key significance for the development of the scope and functions of the nonprofit sector. While each of the four models aims in some way towards the minimisation of the size of the state or the improvement of its effectiveness, the market model introduces privatisation and competition into the delivery of services and products that previously were monopolised by government (G. Peters, 1996, pp22-46), and therefore opens the field to new players, both for-profit and nonprofit organisations. It assumes that private sector methods of governing and managing are superior. The fundamental belief, derived from neoclassical economics, is in the efficiency of markets as a mechanism for allocating resources. Any other form of allocation will tend to distort the economic outcomes (op cit, pp 22-23).

Privatisation as a means of opening up government service to marketisation is a mechanism for transferring responsibilities and functions to the nonstate sector. Forssell and Norén note that an enduring element of NPM has been a new division of labour between the state and other societal sectors, notably the market and civil society (Forssell & Noren, 2007,p203). The technologies of privatisation has involved the creation of competitive contract driven ‘quasi’ markets through the separation of provider and purchaser functions (Miller, 2004. p26) and includes the provision of welfare by the for-profit and nonprofit organisations through the purchase of service contracts (J. Clarke, Gewirtz,S.&McLaughlin,E., 2001, p101; Miller, 2004, p26).

This form of privatisation is however not the only one to impact on the nonprofit sector. There is a broader perspective on privatisation which identifies a second privatising shift, one which opens up government service provision to marketisation, and one which shifts responsibility for welfare onto the family and informal sector (J. Clarke, Gewirtz,S.&McLaughlin,E., 2001,p3), or in alternative terms, shifting risk towards the individual (Beck & Van Loon, 2000). Both types of privatisation have a flow-on impact on the nonprofit sector, firstly because nonprofit services are drawn into a contractual and competitive regime. Mixed economies of welfare are created in which providers come from the public, private, voluntary and informal sectors (Beck & Van Loon, 2000,p4). A second impact is that nonprofit organisations act as providers of residual support to individuals who are unable to receive support from the State (Beck & Van Loon, 2000; J. Clarke, Gewirtz, & McLaughlin, 2001, p3).

Implications for the nonprofit welfare sector of marketisation and privatisation: views from the academic community

The movement towards privatization and the creation of markets for welfare services began seriously in Europe and the US in the 1980s (Gilbert, 2002, p99). By the 1990s some of the impact on the voluntary sector in the UK and USA was being expressed.

The responses of researchers into the nonprofit sector to these changes have generally been critical, that is, they have addressed what are perceived as the negative results of such changes. As stated in the previous chapter an evaluation of the effects of managerial reform is not in the scope of this research, however the response of researchers is significant. It provides evidence that within the sector and the academic community which studies it, the impact of managerial reform has been framed more often as a threat than as an opportunity. Leat, for example, noted financial uncertainty, the risks of entering the market for a voluntary organisation where trust has not been established and the increased costs of accountability and regulation and loss of independence (Leat, 1995pp164-174). Smith noted the goal distortion which nonprofit organisations in USA were dealing with when confronted by commercial imperatives (S. R. Smith, 1998, p 101). O'Shea, from an Australian perspective, noted similar concerns as Leat identifying significant impacts on the normative beliefs and values of the sector: standardisation and loss of individuality and local character; bureaucratisation because government finds it easier to deal with bigger organisations; cost of competition; silencing dissent; pressures to become businesslike; changes in volunteering patterns, and the lack-of-fit between the individualist philosophy that underlies competition with the solidaristic ideas of the sector (O'Shea, 2007). It has been claimed that managerialism, by shifting relationships towards the contractual and competitive has fragmented notions of public and collective interest (Clarke, 2001,p9). Other forms of knowledge have become subordinated to managerial authority. Public service organisations think about themselves managerially and, though isomorphic processes, this way of thinking has begun to inform the nonprofit sector (J. Clarke, Gewirtz,S.&McLaughlin,E., 2001, p9). Management committees of the sector have been reported to be relatively unprepared for the impact of privatisation and marketisation, which have increased competitive pressures. They often do not have the skills across the Board to deal with increasingly complex governance and financial issues (Wiseman, 2002). Organisations report a lack of resources to meet service provision requirements, including overwork and burnout; insufficient training;

professional development and supervision; use of volunteers to fill gaps in service delivery and, lack of equipment and recruitment problems (Wagner, 2005).

It has also been claimed that a result of increased devolution to the nonprofit sector has been the development of a para-state apparatus, which Wolch, drawing her conclusions from the US and British situations, called the “Shadow State” (Wolch, 1990). This para-state apparatus is comprised of voluntary and nonprofit organisations that, as they have become more central to the welfare state, have entered into corporatist-style arrangements. The result of this has been both increased state penetration into the voluntary sector and voluntary sector influence on the welfare state apparatus (ibid, p43). Wolch sees this development as being problematic. While it promises more influence to nonprofit organisations, it also betokens increased control by and dependency on the centre (ibid, p4). Despite her critical approach, however, Wolch does concede that managerial reform, particularly around improvements in strategic planning processes within organisations, resulted in those organisations having a better chance of survival (Wolch, 1990, pp189-207).

From an Australian and New Zealand perspective many Third Sector researchers have identified problems with managerial reform. For example, McDonald identified ethical crises arising as a result of conflicting priorities (1999, p 94); Nowland-Foreman critically examined the contracting regime and asked the question whether voluntary organisations could survive (1997), and Smith claimed that contracting for social service in New Zealand can easily become a fragmented, compliance centred enterprise instead of an integrated, citizen-focused service (1996). On a more positive note Inglis (2005) and Macquignaz (1996) suggested that building the capacity of nonprofit organisations to plan strategically requires the adoption and adaptation of managerialist themes, and Carson focused on the potential role of networks and partnerships to sustain the normative values of the Sector while accommodating competition and accountability (2003). Finally, numerous scholars wrestle with the need to develop positive models of accountability and management within the contractual regime (Almers, 2008; Conroy, 2005; Cribb, 2006; Earles, 1999; Grant, 2006; Johnston, 2004; McGuire & O'Neill, 2008; Rix, 2005; Staples, 2008; Vromen, 2005; Wagner, 2005). These researchers typically do not take an institutional analytic approach but focus on specific issues or alternative strategies of defence. They assume the normative and cultural-role of the sector and are concerned to combat the trend towards managerialism by focussing

on legitimacy and authenticity. Onyx, for example, argued that to take advantage of accountability models which legitimise their advocacy function, it is essential that organisations achieve representative democracy through their internal governance (2006, p19). Dalton and Lyons address the same issue and raise concerns about the legitimacy of organisations which are not marked by internal democracy (2005). This appears to be a response to the Public Choice argument that nonprofit advocacy organisations are unrepresentative, an argument vociferously pursued by the conservative Institute of Public Affairs in Australia (Johns, 2005, p267; Staples, 2008). However, the question that they raise, which is why nonrepresentative structures arise in organisations which normatively hold representative values is not addressed. An advocacy role is taken-for-granted, however to adequately contest the criticisms levelled at the nonprofit sector in this regard requires an understanding of the institutional role of such organisations in the political and social structure, an issue which will be taken up again in Chapter Three.

This literature betokens serious concerns with the impact of managerialism on the characteristics and functioning of the nonprofit sector. The context of the Inquiry is therefore marked on the one hand by the dissemination of increasingly important and influential ideas of managerialism, reflecting their growing hegemonic status, and on the other by doubt and criticism about the impacts of those ideas.

The State and Hegemony

The review above has suggested that one of the impacts of the sustained period of economic and social change may be profound institutional change, which may see the nonprofit community welfare sector restructured in a form which is more amenable for the delivery of a major component of welfare services within the mixed economy of welfare. One of the fears expressed by respondents to the Inquiry (see Chapters Six –Eight) is that this will result in the sector becoming “*an arm of the State*”, with a related loss of values and effectiveness. A postulate like this requires clarification, however, and part of this clarification is the unpacking of the meanings and sense of the State.

Two discussions are pertinent to this issue. The first discussion is around an interpretation of the State which provides an understanding of how the nonprofit community welfare sector may be assimilated into the State structure. The second explores how this assimilation may be

facilitated by the hegemonic discourses advanced under the neo-liberal project. Important directions of research into the State are to be found within the Marxist and post-Marxist traditions and in poststructuralist formulations, some of which intersect with this study notably in their conceptualisation of the processes of the State. These interpretations challenge the commonly cited Weberian definition of the State as “a *human community which (successfully) claims the monopoly of the legitimate use of physical force within a given territory*” (Jessop, 1990, p343). This is a tempting simplification but is challenged by other formulations which see the State as a complex interaction between classes and social structures. Jessop, an important post-Marxist thinker, has proposed a view of the State which is attractive in the context of this study. His view allows the possibility of the nonprofit sector being players within the institutional structure of the State. This enhances the view of the sector’s power which is significant in the context of a discursive contest like the Inquiry. He describes the State as “*an ensemble of multifunctional institutions and organisations that have an incomplete, provisional and unstable political identity and operational unity and a complex dynamic*” (Jessop, 1990, pp339-342). Within this conceptualisation, the State is actively contested and serves different interests.

Where traditional Marxism would describe the State as a superstructure separated from society Jessop says that the State is a part of society. It is a part not just of the political system but of the broader social environment, and although once constituted it might develop its own distinctive forms and acquire a logic of its own, it cannot be divorced from the society in which it has taken shape. Secondly, he states that modern societies are so complex and differentiated that there is no subsystem of modern society which can be at the apex of sovereignty and rule extending everywhere. Rather, there are many different subsystems, some of which are largely autonomous, but are more or less involved in complex systems of interdependence (Jessop, 1990, pp365-366). This concept allows for the possibility that the nonprofit welfare sector is a subsystem which can be incorporated into the State system. The perception that a sector of society is inadequately or incompletely incorporated would then provide a rationale for efforts to correct this, such as the process being examined in this study.

For Jessop, the State, while it lacks centralised coercive power, nevertheless has a responsibility for maintaining the functional unity of this interdependence, and it plays a role of condensing and concentrating the struggles within the system, using its nominal

sovereignty. Analysis of the State is, then, an analysis of how its boundaries are established (Jessop, 1990, pp365-366). It follows that the State cannot be understood by concentrating on it as a unique project, even if it could be isolated and identified, but rather by taking into consideration the ensemble of centres of which it is a part or which are a part of it (Jessop, 1990, pp365-366). The outcome of this perspective is that any study of the State must take into account the structuring of the nonprofit community welfare sector in its relations to the State, and implies that government, as the executive manager of the State, will be constantly seeking closer integration of the nonprofit sector in the State structure. This has relevance to the concerns of this study because, if correct, it suggests that the Commission of Inquiry is linked to the needs to establish control and to draw an “uncontrollable” sector of society into the complex of State institutions. In this process the idea of hegemonic power carries particular significance.

In post-Marxist discourse the classical Marxist concept of class struggle as an outcome of economic structure is contested and refined because the classical explanation was not able to account for the failure of the Communist movement to initiate revolution in advanced capitalist states (Torfing, 1999, p23). Althusser disputed the classical Marxist view of the State as a dependent tool of ruling class interests, or the Board of Management of the bourgeoisie. Rather, he asserted that every social formation reproduces the productive forces and existing relations of production of the State (Torfing, 1999, p23), which is another expression of Jessop’s view that the State is part of society and not above it. Althusser certainly admits that the state exercises power, on the one hand, through the repressive state apparatus. However, on the other hand power is exercised through ideology. While the repressive state apparatus can be identified with the public sector, the ideological apparatuses are associated with the private sector (Torfing, 1999, p23). It is here that the relevance of the argument to the structuration of the nonprofit welfare sector can be discerned, for in this reasoning, the nonprofit sector can reproduce the dominant ideology of managerialism and itself become part of the apparatus of the State. In this way ideology creates a unity within the State, because it serves to maintain the social cohesion of the State (Torfing, 1999, p24). In order to become hegemonic, a ruling class must link its ethico-political struggle with a program of economic reform and overcome both oppositional forces and win the active or passive consent of others (Torfing, 1999, p27) and this it does through the creation of

ideology. Ideology therefore plays a crucial role in the construction of hegemony (Torfing, 1999, pp29,113).

A hegemonic discourse is articulated politically. For example, neoliberalism as a hegemonic discourse has managed to redefine the terms of the political debate and to set a new agenda (Torfing, 1999, p102). Hegemony of the dominant discourse is assured through the mutual ownership of that discourse. If nonprofit organisations share the discourse of neoliberal and market ideology then their integration into the State system is more likely. This developing mutual ownership of the dominant discourse helps to explain, against the sporadic resistance of sector representatives during the Inquiry process, the numerous congruencies between themselves and the Industry Commissioners. As professional managers, many will have been enculturated in their training in managerial ideas and see them, if not as unproblematic, as part of the necessary organisational framework. Paradoxically, however, this hegemonic framework also emphasises the potential power/resistance of the nonprofit sector as an institutional player and underlines the importance for the government of achieving a hegemonic consensus. Agreement over discourse is essential in achieving integration of the subsystems of the State.

The analysis of the discursive contestation of the Inquiry in Chapters Six to Eight, reveals that the boundaries of ideas are fluid and unresolved. Some managerial ideas which have achieved hegemonic dominance across the public and private sectors are disputed and arguments raised for/against them. It would therefore be incorrect to say, drawing on the discussion of hegemony above that these ideas are hegemonic across the nonprofit sector. However, what is observed is a process that can be described as hegemonisation, the increasing penetration and articulation of those ideas in manners and forms which are appropriate for the nonprofit sector. The penetration of ideas may therefore indicate that an institutional change process towards state integration is underway. This idea is developed in this research as the analysis proceeds.

It is in this context that the Commission of Inquiry is described as a dialectical process. The Inquiry imposed a framework of ideas on nonprofit organisations. Given that there were existing discourses and ideas in the sector which are not necessarily congruent with the framework being imposed, it can be predicted that the collision of these discourses and ideas

will raise moments of conflict. Nevertheless, agreement over discourse is essential to achieve the integration of the sector into the State project, and so it can also be predicted that there will be an effort to achieve synthesis. This process then suggests three dialectical stages of discursive contestation: The *thesis* is to determine the ideas which inform the discourse of the nonprofit community welfare sector; the *antithesis* is the hegemonic ideas of managerialism and the *synthesis* the final recommendations of the Commissioners. This framework will inform the data chapters of this research.

Conclusion

This chapter has reviewed the economic and political context of change which impacts on the nonprofit sector and explored the concepts of State and hegemony which are relevant to this research.

Three main points have been made. Firstly, that the historical development of the sector within a mixed economy of welfare has led to diversity across the institutional field and across institutionalised ideas. Metaphorically it can be envisioned as a diversity across two axes, synchronically, across the current and existing institutional suborders of the sector, and diachronically, through the historical “sedimentation” of ideas. Treating the sector as unified is misleading. This point has relevance in seeking to determine the core ideas which guide action and decision-making. Secondly, that the impact of managerialism, marketisation and privatisation is leading to a shift in the balance of the mixed economy of welfare, which may be an antecedent of profound institutional change. Finally, post-Marxist concepts of State and hegemony have been drawn upon to emphasise that it would be incorrect to envisage this change process in simplistic terms as “State directed”. The sectors are implicated in a discursive construction of hegemony. Rather than being a situation of passively accepting dictation, it opens up possibilities of open contestation and the active structuring of the sector by the sector itself. If this view is correct, then the discursive contestation of the Inquiry is indeed complex, and the challenge of analysis becomes explaining how strands of interwoven ideas both lead to a closer integration of sector and government, while highlighting what are perceived to be distinct normative and cultural worlds. These ideas enrich the conceptual framework of this research and will be revisited in Chapter Four.

Chapter Three

Theory of the Sector: a literature review

Scholars have adopted a range of possible approaches to the development of theory about the nonprofit sector . While the nonprofit sector in its various forms has been a subject of enquiry since at least de Tocqueville's nineteenth century study "*Democracy in America*", the development of a specific field of academia devoted to its study probably dates from the last forty years (Leat, 1998; McDonald, 1996, p10). In this time the nonprofit sector has been conceptualised utilising alternative paradigms. The major task of this chapter is to determine which of these perspectives support the research aims most adequately.

The Inquiry provides an opportunity in the history of the sector to examine the processes of institutional structure and change closely. Ideas drawn from the traditions and cultures of the nonprofit sector and themes drawn from the managerial reform agenda are discussed and contested, and there is the implied possibility of institutional change. In this chapter key theoretical frameworks will be assessed to determine their suitability for the task of analysing the processes and results of that discussion and contestation. These frameworks have been developed to explain the nonprofit sector as a whole. In this chapter therefore reference to the nonprofit sector is broader than the nonprofit community welfare sector, and refers to the wider world of what has come to be called the Third Sector, which will be discussed below. This chapter falls into two sections. The first section contextualises nonprofit research within the wider global study of the "Third Sector" which is also of significance in the Australian region. It critiques some aspects of this theory, notably the tendency to group nonprofit organisations holistically, when it is argued that a more diversified approach is required. It then develops a heuristic to evaluate important frameworks of nonprofit studies in terms of determining an appropriate theoretical framework to support the research aims.

The second section of the chapter reviews key theories of the nonprofit sector, falling broadly into economic, political and sociological theory and points forward to the reasons why neoinstitutional theory was chosen to support this research project.

Development of Third Sector Theory and state of Australian and New Zealand research

The Voluntary, Nonprofit or Third Sector as a field of study has been driven by a number of internationally based academic and networking organisations, and interest from the UN, OECD and European Union, where it is known as the Social Economy (Evers & Laville, 2004b, pp11-13). Well-known voices in the development of Third Sector Studies internationally and nationally, have been the John Hopkins University Center for Civil Society Studies, headed by Lester Salamon and Helmut Anheier; the Centre for Civil Society in the London School of Economics which has hosted prominent scholars such as Jeremy Kendall, Anheier and Nicholas Deakin; a range of organisations in Europe including the research network EMES (Emergence of Social Enterprises in Europe) and CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy). In Australia, two important centres are the Centre for Australian Community Organisations and Management (CACOM) previously under the direction of Mark Lyons and the Centre of Philanthropy and Nonprofit Studies at the Queensland University of Technology under the direction of Myles McGregor-Lowndes.

The US model of study of the Third Sector has certainly gained a great deal of traction, most notably through the John Hopkins Comparative Nonprofit Sector Project (L.M. Salamon & Anheier, 1997), which sought to establish the foundations for an academic field through a global review of nonprofit activity in a range of countries.

As Salamon and Anheier stated in the introduction to the seminal book *“Defining the nonprofit sector; A cross-national analysis”* in 1997, however,

“ No...agreement prevails, however, about the existence, let alone the precise contours, of a third complex of institutions, a definable” Third Sector’ occupying a distinctive social space outside of both the market and the state” (1997, pp1-2).

While Salamon and Anheier’s book is a manifesto for the establishment of the field, and has had extraordinary influence, not least in Australia where its agenda was adopted by CACOM and has shaped the Australian Bureau of Statistics Non-Profit Institutions Satellite Account (M Lyons, 2003), enough time has elapsed for divergent views to develop.

Predictably, some Europeans have questioned the dominance of the American approach to the field, stating that the diversity of labels and approaches in Europe, and the importance of the mutuality movement in Europe make the American approach inapplicable (Evers &

Laville, 2004b, p 1). Dekker, who contributed to the John Hopkins Comparative Nonprofit Sector project states overtly that the nonprofit sector is a construct and that it does not exist in the Netherlands. He notes, for example, that in Europe the great diversity of concepts, organisations, traditions, legal and financial regulations suggest that a segmented approach makes more sense, talking about countries or groups of countries (Dekker, 1998, p125). Lundström and Svedberg similarly resist a homogeneous interpretation of the Swedish nonprofit sector, and argue for a differentiation based on the separate historical developments of countries (Lundstrom & Svedberg, 2003).

The invention of a voluntary research field has been accompanied by some critical debate, which highlights issues of discourse and construction (Leat, 1998). Harris for example, demands a clear understanding of the values and operating beliefs of the nonprofit subsector of the Third Sector in response to the changing policy and operational environment, in order to better define the relationship of the sector to government and social relations more generally (Harris, 1995, p13). An issue which has general importance in contextualising Third Sector research is related to the role Third Sector studies themselves play in structuring relationships between the nonprofit sector and the State. According to Leat, the invention of the voluntary sector as a field of study in Britain parallels the growth of managerialism and increasing financial dependence on government. The focus of nonprofit research shifted over the eighties and nineties towards an economic language which was responsive to managerialist concerns (1998). Another issue raised by the concept of the Third Sector is the conflation of much national and global diversity of nonprofit organisations within an artificially homogenous analytic construct. Leat contests the notion of a separate object known as the Third Sector which can be analysed separately (Leat, 1998). Booth also points out that the creation of a field of research has some unintended consequences, notably that artificial barriers are imposed between the study of organisations in different sectors (Booth, 1998, p87). The Third Sector is also sometimes conflated with sub-sectors such as the sector of nonprofit community based welfare organisations. The strain on the theoretical definition of the Sector is evident in the search for analytic categories which respond to diversity as exemplified by Alessandrini (2002). She proposed an alternative fourth sector, community welfare organisations, in order to address the diversity in philosophies, modes of operation and rationales (Alessandrini, 2002). It is this sector which is the main focus of a stream of research which is concerned with the organisational, funding and accountability relations of the sector with government.

Analysing the diversity of the sector along a different dimension, that is, along the structuring discourses which guide it, Kenny identified four separate discursive models: a charity; welfare state industry; activist and market model, to which she added a normative associative democracy model (1997, p 45; 2000). These models create organisations which differ in their norms and values, sometimes because of their roots in specific historical periods, as described in the last chapter.

From another direction, the holistic approach to the Third Sector is also critiqued by Nyland who notes that Third Sector theory shares none of the concerns of postmodern feminism including analysis of gender oppression across time and cultures; and allies itself in this regard with conservative traditions of liberalism which do not address the different citizenship roles of men and women (1995, pp 40-41). Third Sector theory is based on the definition of formal organisational sectors, on the assumption of public/private domain and on liberal notions of the private individual in contrast to the State (Nyland, 1995, p43).

These are contestable claims, nevertheless, they pose challenges to an uncritical acceptance of Third Sector theory which is not subjected to a critical analysis, not simply on the findings of its empirical research, but of its discourse and philosophical foundations. It becomes important to research not simply the role of the sector and its relationships with government, but to provide a sociological account of the Third Sector, which is sensitive to its multiple identities and institutional structure, and to gender, race and socioeconomic concerns. There are some notable accounts at an international level by well-regarded Third Sector and Institutional scholars (DiMaggio, 1988; L. M. A. Salamon, H.K, 1998; Van Til, 1994) however a sociological approach to the Third Sector is not well developed from a regional perspective. This issue will be revisited later in this chapter when discussing sociological theory.

A possible reason for the lack of attention to the sociological basis of the Third Sector is paradoxically the same pressure upon its values and operations which make such a theory vital; defence of those values is a primary concern and a critical approach towards them may be conceived as unhelpful. An important direction, in Australia and New Zealand is advocacy for the special role of the Third Sector. Mark Lyons, for example, was an influential advocate for sustained research and policy on the nonprofit sector in Australia (2001). In 2006 he lamented the failure of Australia to mirror the attention which the Sector has gained from its OECD partners, particularly Britain, citing as one of the reasons that the Third Sector had not

been able to establish an identity in the way the business sector had (M. Lyons & Passey, 2006, pp13 & 16). While Lyons resists disaggregating the sector, and states that it consists of all organisations which pass the membership test, that is, do not distribute profits and /or are democratically governed, he acknowledges that the industry in which an organisation is situated is equally important in shaping its behaviour (M. Lyons, 2007, p10). Nevertheless the inclusion of nonprofit community welfare organisations with sporting organisations or Universities is problematic, most notably because of the diversity of values, cultures and ideas which may be encountered across them. It is at this level that the simple membership test fails and it becomes relevant to argue for an approach which takes this diversity into account.

This research project seeks to take into account the diversity of what McDonald described as the 'multiple institutional orders of the nonprofit sector' (1996, pp265-270). It is concerned with ideas as they are advanced by stakeholders in the nonprofit community welfare sector, which includes government and in this case the delegated authority, the Industry Commission. It is also concerned with the changes to these ideas and the impact that this has on organisational and institutional structures and behaviour. A theoretical framework was sought which would be sensitive to the variables.

Nonprofit theory: an evaluative heuristic

Burrell and Morgan demonstrated three decades ago that all approaches to the study of society are located in a paradigmatic frame of reference (Burrell & Morgan, 1979). Different theories tend to reflect different perspectives, issues and problems worthy of study and are generally based upon a set of assumptions which reflect a particular view of the nature of the subject under investigation (ibid, p10). Nonprofit theorists approach the sector utilising different ontologies and epistemologies, generating a range of theoretical approaches. Salamon and Anheier cite Karl Deutsch's criteria for choosing among models and theories. The quality of a model depends on its *economy*, that it identifies the truly critical aspects of a phenomenon; its *significance*, or that it focuses attention on aspects or relationships that are not already obvious, and its *explanatory or predictive capacity* (L.M. Salamon & Anheier, 1997, p34-35).

This study firstly seeks to understand a variety of ideas which are claimed to motivate people who work in, run, volunteer or support nonprofit organisations. In addition it seeks to explore

the intersection of this world of ideas with the family of ideas which can be broadly described as managerial, and the impacts and contours of that intersection. A theory which provides an adequate framework for the study of institutional structure and change must therefore be able to *significantly* focus on the range of ideas and rationalities which may manifest, drawing out meanings which may not be immediately obvious. Secondly, because the sector's role in its relationship with government and the behaviour of sector organisations may be affected by conditions of change, it must be able to provide *explanations* for changes to those roles and organisational behaviours. At the same time it must demonstrate *economy* in being able to address these diverse research needs within the same framework.

An example of the problems raised by an investigation of ideas in the sector is given by McDonald (1997, p13). The idea that nonprofit organisations have a role as *social innovators* appears frequently in the literature around nonprofit organisations (see for example Bacchiega & Borzaga, 2003, p28; Frumkin, 2002, pp18-19,131-132; S. R. Smith & Lipsky, 1994, pp132-133). It is an idea which has normative and cultural dimensions, explaining and justifying nonprofit activity. This concept of an innovatory role is in turn supported by other ideas. These reflect the need of nonprofit organisations to be both flexible and adaptable. The idea of innovation also has economic and social aspects, for example in terms of understanding social entrepreneurship (Badelt, 2003; Frumkin, 2002). Theory which encompasses an understanding of innovation in the context of the nonprofit sector therefore needs to capture three dimensions: the roles which nonprofit organisations play in bringing innovation to problem solving in social issues; the behaviour of organisations which adopt this role idea, and the wider frameworks of concepts, ideas and logics which justify innovation or which contradict it. An example of this last may be that altruism as an underlying value of nonprofit activity requires organisations not to provide insensitive and bureaucratic programs, but to respond innovatively and flexibly to the needs of its clients. However, considerations of accountability for funding for specific programs for example, may contradict the desires of organisations to deploy funded resources in a flexible manner. A framework of ideas around this concept must be able to include ideas which contradict or conflict with it. Using Deutsch's criteria, the ability of theory to discover significance or focus attention on aspects which are not already obvious will therefore be important.

McDonald (1996,p12) and Dollery and Wallis (2003, pp7-8) draw attention to a heuristic device devised by Henry Hansmann which helps categorise theoretical approaches. It provides a framework which divides theoretical approaches to the nonprofit sector into two types, those focussing on the role of the nonprofit sector, and those addressing the behaviour of nonprofit organisations. The body of theory which addresses the nonprofit sector's role explores reasons why nonprofit organisations exist. The second type attempts to develop accounts describing and explaining the behavioural consequences of nonprofit institutional forms. Di Maggio and Anheier have similarly argued that one class of theory about the nonprofit sector seeks to explain why the sector exists at all (that is, account for the distribution of social functions between the three main sectors of the economy) whereas another class of theory investigates the behavioural dimension of nonprofit organisations (cited in Dollery & Wallis, 2003, p9).

This heuristic framework helps to determine whether theory has the capacity to capture both role and behaviour. This heuristic, however, fails to capture the dimension of nonprofit organisational ideas and rationalities which underlie both role and behaviour. While organisational behaviour can be observed, less evident is the framework of ideas which guides or contests this behaviour. The heuristic was therefore expanded for the purpose of this research to encompass ideas. A theory was judged economic and explanatory if it adequately embraced firstly, a structural dimension, that is the changing roles of government and nonprofit sector in the mixed economy of welfare; secondly, an action oriented dimension around organisational behaviour confronted with change and thirdly, an ideological dimension, that is, the normative and cultural frameworks of ideas which are in play during institutional change.

Nonprofit theory is complex in its range of concerns, however there have been some meta-analyses which have enabled the mapping of those theoretical approaches. These are informed interpretations of those original theorists and as such, are a useful heuristic. A useful starting point is Dollery and Wallis's review of the state of voluntary or nonprofit sector theory in which they identified a range of taxonomies of theoretical approaches to the Sector (2003). The most ambitious model, advanced by Salamon and Anheier (cited in Dollery & Wallis, 2003, pp10-11) proposes a sixfold taxonomy: market failure/government failure, supply side theory, trust theory, welfare state theory and interdependence and

sociological theory. Dollery and Wallis themselves choose Weisbrod's simpler taxonomy which they describe as distinguishing between demand (market and government failure) and supply side theories (including models of social entrepreneurship) (2003, p12). Their focus on developing an economic theory of leadership constrains their taxonomy however, which neglects important political theories.

In the following section key economic and political theories will be assessed, by necessity briefly, to determine their capacity to support this research across the heuristic. Drawing on Dollery and Wallis' categorisation (2003, pp8-12) they will be assessed under the headings of economic theories of: Market failure and associated Trust theory; Government failure and Public Choice Theory, and Voluntary failure. Political theories which will also be assessed are theories of democratic participation, social capital and civil society. Following these section key sociological theories will be considered, in particular organisational ecology and neoinstitutionalism.

Economic theories of the nonprofit sector

Economic theory has provided compelling explanations for why the sector has emerged. They explain its role in the political economy as meeting needs which result from two kinds of failure; the failure of the market and of government to provide certain kinds of goods. A third variant, voluntary failure, explains the role of the sector from an alternative and corrective perspective.

Market failure and Trust theory

Market failure is defined in terms of economic efficiency and in particular allocative efficiency (Dollery & Wallis, 2003, p20). It may arise because the market is not well placed to supply collective and common-pool goods (Anheier, 2005, pp 116-118). Citizens are 'free riders' when it comes to collective goods, and so the market will either fail to provide common goods or services in an economically optimal manner, or fail totally to deliver those goals (Dollery & Wallis, 2003, p20; Savas, 1987, pp37-44; S. R. Smith & Lipsky, 1994, p 27). Governments are then forced to intervene to restore economic efficiency (Dollery & Wallis, 2003, p20). The paradigm of market failure as a stimulus for government intervention to restore allocative efficiency has, however, been criticised on a number of grounds. Firstly, market failure embodies an idealised conception of the government and assumes that government has the information, knowledge and will to intervene successfully, which is

contestable (Dollery & Wallis, 2003, pp22-23). Secondly, the theory has been criticised on grounds that even if government was perfectly informed its interventions may not have the effect intended (Zerbe and McCurdy cited in Dollery & Wallis, 2003, p23).

Market failure is presumed to leave a vacuum that is, or may be, filled by nonprofits as the best providers of these goods. A particularly telling criticism of the weaknesses of market failure theory in relation to nonprofit organisations has been pointed out by Smith and Lipsky. Market failure theory is deductive. There is no reason why a for-profit concern should not fill the gap created by market failure. They cite the case of a nursing home which may be extremely concerned about its reputation from a commercial vantage point, and which will therefore make strenuous efforts to convince the community of its integrity.

Market failure theory therefore does not explain why government has contracted so extensively in the USA with nonprofit organisations (S. R. Smith & Lipsky, 1994, p29).

Dollery and Wallis have also criticised market failure theories when they seek to explain the involvement of the nonprofit sector on the ground that they fail to distinguish between efficiency and equity. They refer to the possibility of opportunistic behaviour by nonprofits and cite the case of a residential aged care organisation which may provide below standard services. The issue here is not simply around allocative efficiency but around the capacity of the residents to understand and respond to their situation, an equity and trust concern (Dollery & Wallis, 2003, p25).

In some of these criticisms therefore the question of trust arises. Trust theory provides a different, if linked, rationale for nonprofit delivery. Hansmann and James have pointed out that nonprofit organisations have a unique characteristic, the *non-distribution constraint*, which prevents organisations from distributing profits to their members. This characteristic is supposed to function as an important source of trust. If managers cannot benefit financially by receiving profits it is claimed that they will be less likely to cheat consumers and therefore nonprofits are more trustworthy (Ben-Ner & Gui, 2003, p5; James cited in Dollery & Wallis, 2003,p14; Hansmann cited in McDonald, 1997,p19).

Trust theory based upon the nondistribution constraint, however has also been criticised on the grounds that it depends on a normative view about what happens in nonprofit organisations. It is possible to envisage, for example, a service which is constrained by funding seeking to maximise its revenue by limiting its service, as in the case of the aged care residence cited above (Dollery & Wallis, 2003, pp14-15). It has also been criticised by

Bacchiega and Borzaga on the grounds that forms of nonprofit organisation differ globally and that, for example, the cooperative form in Europe relies much more heavily on the broader representation of stakeholder interests and on participative and democratic management than on the nondistribution constraint. They reiterate the point made above around the aged care residence, that the nondistribution constraint has not proved effective in preventing opportunistic behaviour and the exploitation of consumers, and cannot account for all forms of organisational behaviour (Bacchiega & Borzaga, 2003, p31), a point also supported by Smith and Lipsky (1994, p29).

Despite these limitations, in terms of the heuristic adopted at the beginning of this chapter, market failure theory, and associated trust theory provide insight into role and organisational behaviour, and also provide insight into the normative ideas which provide rationales for nonprofit activity. However they do not explain the plurality of roles performed by nonprofit organisations, the shifts from one institutional form to another nor the growing contractual regime between government and the sector (Bacchiega & Borzaga, 2003, p29). They are not able to economically account for the behaviour of organisations in an environment of change or the full range of ideas which may be encountered in those organisations.

Government failure and Public Choice Theory

Market failure implies intervention by government to achieve optimal efficiency, however Weisbrod has developed an alternative theory of government failure; government is not well placed to supply public goods in some instances (1988).

If market demand is low, as it might be in services to minority groups, then not enough of these goods will be produced. One of the roles of government is to ensure an equitable distribution of public goods, however democratic processes tend to direct government programs into areas where the maximum utility is obtained or, in other words, where the most people will be satisfied most of the time. Not everyone will receive programs and there will be 'unsatisfied demand'. Government has failed to deliver in this circumstance (McDonald, 1997; L.M. Salamon, 1995, pp39-40; Young, 1987, p21). Two circumstances of unsatisfied demand are proposed by Weisbrod; excess demand and differentiated demand (Weisbrod cited in Dollery & Wallis, 2003, pp29-30). If market demand is high, for example in health services, the government may not be able to meet this demand (excess demand).

Alternatively, demand may be differentiated. Even if services are provided they may not be

acceptable to consumers. An example cited by Dollery and Wallis is the creation of a secular and religious school system in Australia to meet the needs of parents dissatisfied with aspects of universally available primary and secondary education (2003, p30). Government failure theory however has not proved powerful enough to account for regional differences. The theory leads to predictions that countries of high heterogeneity would have a large nonprofit sector, but there are important exceptions which are not accounted for (Anheier, 2005, pp122-123).

Dollery and Wallis (2003, p26) cite Public Choice Theory as an important variant of government failure theory. Public Choice theory draws out apparent contradictions which result from the delivery of welfare service by the public sector. It involves the application of a utility maximisation model to the study of politics (Dollery & Wallis, 2003; Hindmoor, 2006, p81; Self, 1993, p4). Its theorists assume that all people, including politicians, are rational, self-interested utility maximisers who will pursue personal gain over the public interest, and will seek to acquire resources to maximise power, a phenomenon known as “rent-seeking” (Hindmoor, 2006, p81). The implication of this is that government and bureaucracy cannot be trusted to deliver services perfectly efficiently and on the basis of client need and that interventions by government distort the operations of the free market (Dollery & Wallis, 2003, p27; Hindmoor, 2006). Nonprofits are therefore created to provide the collective or public goods needs of a diverse community not met by government, and the more diverse the community is, the greater the range of services that will be provided in this way.

Public Choice Theory has been subjected to intensive criticism, most notably perhaps in that it depends on the assumption that man is primarily *homo economicus*, a rational, self-interested utility maximiser. Stretton and Orchard, Boston et al and Amitai Etzioni have criticised this position on the grounds that people are not solely motivated by economic reasons and that he or she may be equally informed by moral, cultural and political rationalities and ideas, which will affect them to make decisions which are not always strictly in their interest (Dollery and Wallis, 2003, pp28-29; Etzioni cited in Gilbert, 2002, p21; Stretton & Orchard, 1994, pp126-135). It should also be noted that while Public Choice Theory is applied to government, it can be argued that nonprofits are also driven by rational, self-interested utility maximisers, who may also be driven at least in part by the desire to

maximise their resources and influence. Some of the problems which are ascribed to the public sector can be expected to be present in the nonprofit sector as well. However, by concentrating on State failure, the theory provides a rationale for shifting services from the public domain into the for-profit and voluntary sectors. It is this normative dimension to Public Choice theory which Self has argued is concealed (cited in Dollery & Wallis, 2003, p28).

Public Choice theory may be able to throw light on aspects of the behaviour of organisations after their creation. For example, the capture of public resources by individuals to maximise their own wealth, or rent-seeking (Dollery & Wallis, 2003, p27; Hindmoor, 2006) can explain a management decision made to grow the organisation at the potential risk of mission drift. In terms of the heuristic adopted in this chapter for the evaluation of theory, however, its usefulness is limited. Its exclusionary focus on economic reasons fails to explain the roles of nonprofit organisations in relation to government, or account for the normative and cultural ideas such as altruism, the utility of which is difficult to incorporate into the idea of *homo economicus* except as rhetorical strategies (Dollery and Wallis, 2003, pp28-29; Stretton & Orchard, 1994, pp126-135). Similarly ideas of excess demand and differentiated demand, in Government failure, provide insight into the origins of nonprofit forms of organisation, but shed no light on subsequent behaviour, or the full range of ideas which may be at play in those organisations. While providing important insights neither Government failure nor Public Choice theories are able to be either fully explanatory or significant in terms of the heuristic adopted to support this research.

Theory of Voluntary failure

There is one further variation of economic theory which needs to be considered. Salamon has argued that it is not government but the nonprofit sector which first organises to provide collective goods in response to market failure. Government then subsidises the nonprofit sector in cases of 'voluntary failure' (Anheier, 2005, pp129-131; S. R. Smith & Lipsky, 1994, p30). By privileging the nonprofit sector and giving it a primary rather than supportive role in the delivery of social services, Salamon (1995) argues that the relationship should be reversed. It is not that the nonprofit sector fills in the gaps left by government, but that government fills in the gaps left by the sector, gaps which Salamon describes as resulting from 'philanthropic failure' (L.M. Salamon, 1995, p 44). He argues that economic theories of

market failure and government failure fail to take into account the historical evolution of the provision of welfare services (1995, pp 40-43), and that the US and, it could be added, Australia, does not and never did, follow a model of centralised provision of services by the State. Rather, nonprofit agencies have always been central to the delivery of government policy (L.M. Salamon, 1995, p41). Dollery and Wallis claim that his theory is overtly normative and has a polemical function in establishing the credentials of the nonprofit sector to carry the responsibilities of welfare service delivery (2003, p10). Smith and Lipsky also claim that the theory is unable to account for the simultaneous existence of public, nonprofit and for-profit organisations in many service categories and that the theory is indifferent to the fact that sources of funding for nonprofit organisations affect the character of services (S. R. Smith & Lipsky, 1994, p30). The theory may also be dependent on an interpretation of development of the services in the USA (Anheier, 2005, p 120). Australia, for example, has followed a more diversified model in which government and charitable services have developed on parallel paths (see Chapter Two). However, despite these criticisms, voluntary theory provides a corrective to the purely residual accounts provided by market and government failure theory by identifying a positive role for the sector due to its characteristics and qualities. It emphasises the complementarity of government and nonprofit sector relationships which moves away from the competitive models of market and government failure towards a theory of interdependence (Anheier, 2005, pp129-131).

An important contribution from Billis and Glennester (1998) draws out a variable which does not fit neatly into the above categorisations of theory, but has a “family resemblance” to voluntary theory. They propose a theory of “comparative advantage” based upon the ambiguity of structure and stakeholder roles. Nonprofit organisations frequently serve the interest of neglected minorities which are not addressed due to market and government failure. Staff and Board members may share a lived experience with specifically disadvantaged groups, which motivates and enables them to provide these services. This theory adds a positive dimension to the theories of government and market failure. It is not solely as a residual category but because there is a crossover and ambiguity in consumer and managers which is lacking in public and private sectors which give it an advantage in the delivery of services. In a similar vein Enjolras (2009) provides an additional positive dimension in highlighting the norm of reciprocity in nonprofit governance structures. The potential failure and misconduct of nonprofits is compensated by democratic checks and balances and the intrinsic need of executives and Board to avoid cognitive dissonance with

their stated values. While highlighting an important dimension of comparative advantage, however this theory also depends on the normative assumptions which categorise voluntary failure theory.

Voluntary failure theory, supplemented by the perspectives offered by Billis and Glennester and Enjolras provides corrective insights, but does not adequately account for the complex interrelationships of government and nonprofit sector in a mixed economy of welfare. Neither does it provide a theory which can account for the behaviour of organisations, as Public Choice Theory does in describing how self-interest can drive the accumulation of resources, cited above. It is also silent about the possibly conflicting and contradictory range of normative and cultural ideas which may be present in decision-making and action. In terms of the heuristic adopted to assess theory for the purposes of this research it fails to account for role, organisational behaviour or nonprofit organisational ideas and rationalities adequately, and therefore fails to be a convincing explanatory framework.

General Critique of Economic Theories

Despite their contribution to understanding the role of the sector, a number of criticisms have been levelled at economic theories generally. Nyland points out that theories of market, government and voluntary failure do not pay attention to the social aspects of the nonprofit sector (Nyland, 1995, p 44). Galaskiewicz and Bielefeld assert, foreshadowing the potential explanatory role of institutional theory, that although economic theory has made major contributions to our understanding of how nonprofits behave and change over time, economists do not take into consideration conditions in the environment, social networks, cultural and institutional forces, and strategy and tactics which need to be considered in organisational and institutional change (1998, p207). Lohmann has also proposed that approaching the nonprofit sector as if it is a deviant form of commercial enterprise risks a classificatory confusion, suggesting the metaphor that a lettuce cannot be described as a nonanimal. He sees the effort to apply philosophical utilitarian criteria to the sector as misguided, and calls for a specific political economy of the “Commons” which will address a range of values (1992). His ideas will be explored below under political theories.

The economic models of the nonprofit sector which have been reviewed (with the exception of Public Choice Theory which is applied to government rather than to the nonprofit sector)

make assumptions that the management and governance of nonprofits will be based upon a normative framework that inspires trust and which is based on altruistic motives, rather than on self-interested rational utility maximisation. They are explanatory only in a tautological sense; a nonprofit organisation will behave according to the normative values that are ascribed to it (Dollery & Wallis, 2003, pp 22-24). Economic theory is not sensitive to modulation and diversity within the ideological and practice frameworks of nonprofit organisations. In general, therefore, while economic theories contribute insights into the roles of nonprofit organisations within the political economy and to aspects of the behaviour of organisations they do not provide satisfying accounts of organisational behaviour, of ideological frameworks, nor of the political and social environment affecting change across the nonprofit institutional field (Anheier, 2005, p 137). In terms of the heuristic adopted to assess theory they therefore fail to provide a convincing explanatory framework for the purposes of this research.

Political theories of the nonprofit sector

If economic theories do not satisfy the criteria, then it is possible that they may be complemented by political theories, resulting in a more complete political economy of the nonprofit sector. While economic theories have a role in describing the origins of the nonprofit sector, political theories discover and describe certain values and attributes in the nonprofit sector that help it play a part of modern pluralist and liberal democracy. In this regard they display an awareness of ideology and practice frameworks. The most important of the ideas and theories to be evaluated in terms of the heuristic advanced above revolve around its role in supporting participative democracy, civil society and social capital.

Participative democracy

Some scholars see the nonprofit sector as an important contributor to the development of participative democracy (for example 1982; Drucker, 1998; Lohmann, 1992; M. Lyons, 2001). Van Til (2000) , linked five primary forms of democracy to voluntary forms: populism, idealism, pluralism, social democracy and neo-corporatism. Ware (1989) outlines four social and political uses or reasons that are advanced for the nonprofit sector which support its role in a participative democracy. In doing so, however, he also disputes them saying that essentially none of the claims made can be proven or verified as their generality and vagueness defies empirical definition. Ware states firstly that nonprofit organisations are

proposed to provide arenas for non-elite citizens to acquire political skills (1989, p13). Secondly, Ware states that nonprofit organisations are facilitators of social and political integration by providing a bridge to the wider community for minorities (1989, pp9, 19-20). Thirdly, nonprofits support democracy by ensuring the expression of a range of diverse arguments and opinions (Ware, 1989, pp20-21). Finally, he states that nonprofits are perceived to mobilise diverse interests and demands in society in a way that is meaningful and influential in the policy making process (ibid). While Ware disputes these claims on the grounds that their generality and vagueness mean that they cannot be substantiated, ideas similar to these receive support from scholars. Onyx, for example, identifies pluralists who more generally argue that nonprofit organisations make a major contribution to democracy by acting as counter-weights to state power; opening up channels of communication and deliberation and promoting organisational training grounds for ordinary citizens (2006, p18)

Another perspective is offered by Lohmann, who has been cited for his theory of the Commons. He defines a commons as an “*economic, political and social space outside the market, households and state in which associative communities create and reproduce social worlds*” (2001, p171). Proposed as an alternative to economic theory (ibid, p167), his theory of the Commons, in which charitable organisations play a critical role, sets forward some basic criteria to guide the establishment of a society which he equates to the *koinonia* of the ancient Greeks, a society in which participation is free and uncoerced; participation shares a common purpose; participants share jointly held resources; participation involves *philia* or a sense of mutuality, and social relations are characterised by fairness (ibid, p171). It is particularly the sense of fairness which characterises the Commons, as compared to law in the state and market relations in the business sector (ibid, p172). Lohmann’s theory of the Commons clearly links with ideas of participative democracy described above, in particular, by being a social and political space which allows for the participation of and shared ownership by all citizens.

The theory of the Commons contributes to an understanding of role, behaviour and ideas which motivate decision making and action. However, it cannot account for behaviour and ideas which may not appear within this framework. For example, self-interested utility maximisation in organisations as applied by Public Choice theory, is alien to this framework. Neither does the theory account for the choice of nonprofit organisations over for-profit organisations by government when contracting for services. Although it can be argued that

governments value the sector as a social and political space which allows for the participation of citizens, the crafting of this space as “other” than the State makes this a potentially risky rationale for government. It is unlikely that the government would choose the sector for the delivery of its welfare programs based solely on the normative and cultural values of the sector.

Douglas has attempted to address this last problem theoretically (2001). He proposes that the satisfaction which people receive in donating time and money is better subsumed under the concept of “exchange” than the economic concept of “utility”. As the demand for services provided by nonprofit organisations grows, donor’s exchange of time and money for satisfaction is complicated by increasing numbers of free-riders. This problem can only be avoided by the coercion of law, delivered through the State. The implication of this theory is that considerations of efficiency and equity will tend to shift services from the nonprofit sector to the public sector as the demand for services becomes more widespread (ibid, pp206-207). This is an interesting theoretical limitation to the role of the nonprofit sector which is missing from economic theory, however his schema of ideas which will motivate government to contract in reverse with nonprofit organisations (an absence of constraint, freedom to diversify, experiment and avoid bureaucracy), are not robust enough to account for the impact of the ideas of Public Choice Theory which have driven some of the thinking around privatisation of services discussed in the Introduction. In this sense, Douglas is close to ideas advanced earlier under the heading of voluntary failure theory which assume the virtues and positive qualities of the sector. Opening government services to competition, however, is more about reducing the distortionary effects of government to the economy than in a positive valuation of those qualities claimed for the sector. Lohmann and Douglas’ theories provide insights into role and ideas, however they provide only limited insights into how organisations behave under conditions of change. Once again, they depend heavily on an idealised normative vision of how organisations within the sector behave. In this regard they are not sensitive to the possibly conflicting and contradictory ideas which might manifest as organisations grapple with the challenges of adapting to change.

Some of the claims enunciated above reappear in a different format in a growing body of influential work, which presents a positive role for nonprofits in creating and supporting social capital (Winter, 2000b) and in sponsoring civil society. Neither social capital nor civil society have a main focus on the nonprofit sector, however the importance of the sector in its

deliberations requires some evaluation. The purpose of the following reviews is to assess the usefulness of theory to support this research, rather than to critique the ideas.

Social Capital

Social capital has in less than a decade become a major idea in social policy (Somers, 2005, p233). Governments employ the term routinely, and notions of social capital have been adopted by all sides of politics (Butcher, 2006, p70).

There are a range of intellectual sources of theory around social capital, however it is the view that social capital constitutes a gestalt formed by trusts, norms and networks that facilitate co-operation for mutual benefit which predominates in the construction of social policy (Productivity Commission, 2003; Winter, 2000c).

Social capital was coined as a name nearly a century ago in 1916, while Portes and Sensenbrenner source the concept back to Marx, Engels, Weber, Durkheim and Simmel (Winter, 2000a, p21). Winter identifies three main theorists of social capital, Bourdieu, Coleman and Putnam (2000app23-29). Bourdieu's concerns with social capital were closely linked to his view of cultural and symbolic culture as central theoretic elements of this theory of class reproduction, especially through the education system (Somers, 2005, pp244-245). He used the concepts to capture the real economic value produced by non-market social connections and relations (Somers, 2005, p246), and saw it as one of three forms of capital; economic, cultural and social, the last two of which could be converted in certain circumstances into economic capital (Winter, 2000a, p 23). His view of social capital was therefore grounded in Marxism (Somers, 2005, p245). If Bourdieu is interested in how social capital works to generate economic capital for individuals in a range of social settings, Coleman is interested in how social capital works in family and community settings to lead to more or less human capital for individuals (Winter, 2000a, p25-26). In terms of the development of nonprofit theory, however, neither Bourdieu nor Coleman's views of social capital are as widespread or dominant as the conceptualisation of social capital associated with Robert Putnam (Somers, 2005).

Putnam privileges the role of nonprofit organisations in creating networks of civic engagement (Killerby, 2003, p88; Winter, 2000a, p26). However, while Lyons believes that all nonprofit organisations are, at least at their beginning, the products of social capital (M. Lyons, 2000a, pp179-180), he reviewed some of the empirical work around this question and

discovered that there was in fact no clear agreement on the linkage between nonprofit organisations and the creation of social capital. At issue is a lack of clarity around the types of organisations, the ways that they generate social capital, and the types of social capital that they generate (Butcher, 2006, pp69-70; M. Lyons, 2000a, p184; Productivity Commission, 2003; Winter, 2000b, p5). Putnam has been criticised for being reductionist and for prescribing a linear causal link between civic engagement in nonprofit organisations and improved democratic institutions, excluding the role of the state (Winter, 2000a, p 27).

In seeking to evaluate it as theory for the purposes of supporting research into the nonprofit sector, the major issue which emerges is that the primary focus of the idea is social capital itself. Nonprofit organisations are not created to make social capital but to address certain issues or interests. Social capital is therefore always a by-product of these other concrete purposes and intentions. The capacity of the theory to describe role or to analyse organisational behaviour is therefore limited.

Civil Society

Social capital is frequently associated with the grand idea of civil society, both as a rallying call and as an analytic construct. Somers for example, draws attention to social capital in the context of the Polish Solidarity movement, which is also one of the markers of the revival of the notion of civil society in the late twentieth century (Elliott, 2006, p1; Jenkins, 2001, pp259-260; Somers, 2005, pp 267-269).

Civil society is both more and less than a theory. On one hand it is a rallying call for radicalism, and a grand idea, but on the other, it is indeterminate and carries diverse meanings (Alessandrini, 2002; Kaviraj & Khilnani, 2001, p 1; Keane, 2003, pp2-3). A view of civil society which is closer to the contemporary discourse around the nonprofit sector was expressed by de Tocqueville, who saw the range of voluntary associations as protective of democratic institutions in America, and defensive against the rise of despotism (Alessandrini, 2002; S. R. Smith, 1998, p92; Stone, 1980, pp110-115).

There are characteristics of civil society which are broadly agreed; that it encompasses activity that is neither of the market or the state, and that it is the site of interactions between organisations and individuals (Alessandrini, 2002, p106). Civil society is more than the domain of voluntary associations, but to what extent is unclear. Eva Cox, a prominent Australian theorist of social capital defines civil society as voluntary associations outside the

market and the state, and excluding household and family relationships (cited in Alessandrini, 2002, pp113-115), however this merely defines the space in which civil society occurs. In order to achieve a “truly civil society” Alessandrini describes Cox as blending together a range of disparate ideas: elements of the enlightenment use of decency and respect; a structuralist meaning derived from Gramsci which describes the role of civil society as one of mutual protection and separation from economy and state; political activism and participative democracy in an Aristotelian framework; Putnam’s concept of social capital, and a feminist focus on the societal relationship maintenance and housekeeping that has traditionally been a role of women (ibid). Alternative definitions of civil society are not more definitive and Alessandrini concludes that civil society defies measurement and consistent explanations required by organisational theory. While civil society has characteristics of informal structure, anonymity, amateurism and altruism that fill community and individual needs for meaningful and productive activity, and that this results in the development of political awareness, it does not provide a theoretically rich description. She cites Tamas in saying that Civil Society is “*nothing but a ‘discreet’ series of disjointed volitional acts. Institutions in a Civil Society are shapeless congeries of decisions between mutually consenting private persons; in other words they are not institutions*” (Tamas cited in Alessandrini, 2002).

However, the idea of civil society, along with social capital has a normative meaning for the nonprofit sector. One description drawn from the Australian literature cites that “*freely-formed self-governing voluntary associations provide sites and processes for effective governance and welfare provision which will foster active citizenship, extend democracy and strengthen Civil Society*” (Kenny, 1997, p 41). The conflation of so many concepts frames the sector as an essential component of basic democratic processes, but is essentially uncritical. The same author describes a system of welfare delivery based on voluntary organisations as “*cutting through the separation of welfare, governance, social change and empowering institutions*” (Kenny, 1997,p 42), claims which have no ostensible validity.

In summary, the idea of civil society is a construct which remains difficult to define, and resistant to institutional study. In terms of the heuristic adopted in order to evaluate the role of theory in supporting this research, civil society lacks conceptual rigour to support an understanding of critical institutional relationships with government which define the development of the sector in a contractual and competitive regime. Its significance in this

study is that, like social capital, it is a normative and cultural idea which may provide legitimacy to the sector, and support arguments for an enhanced role in society.

General critique of political and economic theories

In this first section of the literature review economic and political theories of the nonprofit sector have been examined, by necessity briefly, for the support which they may offer to this research project. The main streams of theory around the nonprofit sector contribute insights into role, organisational behaviour and the framework of ideas which guide decision making and action. However, each one taken individually fails to provide a robust model that is proven to be economic, significant and explanatory in Deutsch's terms. It can be argued that some combination of theories will provide an adequate political economy of the nonprofit sector, however the most significant objection to this argument is that the theories have different lenses and manifest different intents and purposes. Voluntary theory is the only economic theory which is compatible with the political theories reviewed which privilege the social functions of the nonprofit sector. Likewise, some political theory has been advanced specifically to counteract economic theory. For the purposes of this research project however, the more significant objection is that none of the theories reviewed can account with sufficient explanatory power or economy for organisational change and for the interaction of ideas which may be encountered in the change process.

An alternative perspective suggested by Kramer is to adopt a strictly defined political-economy paradigm of the sector (R. M. Kramer, 2004, pp222-224). In this model "political" would refer to the various processes through which power and legitimacy are acquired and maintained, and systems of governance established. "Economic" would refer to the processes by which resources are obtained by organisations. Such an approach avoids the indeterminacy encountered with paradigms of the political-economy model. However, Kramer notes that the political-economy approach has been critiqued for its neglect of the importance of values and ideology, and its overly abstract conceptualisations of power (ibid). In terms of this research project these are significant limitations. Dollery and Wallis (2003) had already developed a political economy approach to the voluntary sector which is close to Kramer's recommendations of 2004. This approach reviews the economic role of the sector and its political relationship to government through public policy, however, the theories are

not synthesised in a way which would make them applicable to the analysis of institutional change and the role of ideas and ideology in institutional change, and the limitations noted by Kramer continue to be significant.

Sociological theories

Sociological theory offers an alternative perspective. Galaskiewicz, who was quoted earlier as a critic of economic theory of the nonprofit sector proposed that a sociological understanding is required and foreshadowed the usefulness of neoinstitutional theory (1998, p207).

The nonprofit sector has for long played a role in sociological study and its antecedents, as noted at the beginning of this chapter with reference to de Toqueville's classic work.

McDonald notes that initial sociological research which considered the sector was situated within the study of the social processes of modernisation and change, social stratification, participation and urbanisation (McDonald, 1996, p15). Durkheim, for example, conceived of voluntary associations as a mediator of modernity and its stresses (ibid). Scholars who have analysed the sector in terms of structure and relationships in the wider society include Billis and Milofsky (cited in McDonald, 1996, p26) and van Til (1994, 2000). Billis produced an analytic structure of the space of voluntary agencies between what he termed the personal world, the associational world and the bureaucratic world (cited in McDonald, 1996, p26).

Milofsky drew on resource dependency theory to argue that organisations will change in their behaviour and structure depending on shifts in patterns of resource allocation, reflecting some of the ideas of institutional theory which will be explored in the next chapter (cited in ibid).

van Til explored the dimensions of the voluntary sector embedded in a wider social framework, and characterised by elements which are unique to it such as donors and foundations (1994, 2000).

From an Australian and New Zealand regional perspective there have been some notable contributions which have adopted a critical sociological lens to the institutional forms and structures of the nonprofit sector. These critical contributions are not unified. They adopt various theoretical positions and have not to date acquired enough momentum to constitute a clearly identifiable body of middle range theory (M. Lyons, 2000b). These studies have drawn on feminist theory, discourse analysis, governmentality and finally neoinstitutional theory.

Feminist critique has challenged the assumed monolithic nature of the Third Sector. Weeks, for example, illuminatingly drew attention in 1996 to women's organisations as a subset of the Third Sector which was not mainstreamed into gender neutral services. She also further pointed out the existence of six subsets of organisational types within that subsector: feminist organisations as social movement organisations; feminist organisations as social change organisations; feminist women's services as alternative services; women's services as affirmative action; Aboriginal women's business and Women's services as a democratic social right (Weeks, 1996, pp 57 & 65-67). This perspective lends support to the argument presented above for a refined institutional definition of the 'Third Sector field'. From another direction, Nyland notes that Third Sector theory shares none of the concerns of postmodern feminism including analysis of gender oppression across time and cultures; and allies itself in this regard with conservative traditions of liberalism which do not address the different citizenship roles of men and women (Nyland, 1995, pp 40-41). She claims that Third Sector theory is based on the definition of formal organisational sectors, on the assumption of public/private domain and on liberal notions of the private individual in contrast to the State (Nyland, 1995, p43).

A number of theorists have applied a discursive analytic approach to institutional change processes. Melville has drawn attention to the developing discourse within the sector around partnership models, which are promised to supply greater opportunities for policy participation. and has proposed that such discursive relationships mask operational and managerial imperatives associated with contract and tendering funding arrangements (Melville, 2008). Keevers et al analyse a discursive framework of the construction of a policy space of the nonprofits sector by four major discourses: neo-liberal; managerial; new paternalism, and network governance(2008). They believe that the contested policy space opens up conditions for critique and intervention, however this remains a hypothetical possibility in their research and they do not specify how such a critique can be operationalised (2008, p472).

An interesting perspective in relation to this research project has been articulated by Carey who has applied Foucauldian governmentality theory to identify a binary role of the sector. The sector may be used by government to "govern at a distance", creating a para-state

apparatus, which Wolch referred to as the “shadow state”. However, nonprofit organisations also draw their power from the state, or more specifically from the process of governmentality itself, the governance of conduct through programs and techniques dispersed through discourses, programs and technologies and this implies that power is diffused and contested (Carey, 2008). This approach, although proceeding from a different theoretical base, connects with the discussion of diffused power conducted in the last chapter in the context of post structuralist and post Marxist interpretations of state power. It supports a more nuanced view of power relations as they manifest in the Inquiry process than is implied by seeing the Commissioners as a coercive and dominant force for change.

Institutional approaches to the nonprofit sector in Australia are rare. An early paper which addressed institutional analysis without using the framework of neoinstitutional theory was provided by Earles. Using “institutional shape” and social geography as a framework she identified institutional dimensions which are territorial, hierarchical and have governance dimensions. Her thesis was that what she termed the enterprise culture resulted in the creation of powerless nonprofit entities (Earles, 1999). A specific neoinstitutional lens has since been applied by Marston, McDonald and Spall (McDonald, 1997; McDonald & Marston, 2002b; Spall, 2002). By applying a critical lens, McDonald and Marston have also questioned the taken-for-granted status of what they described as a “matrix of ideas” which include such notions as community, civil society, social capital, social entrepreneurship, the enabling state and active citizenship, to which we can be added the idea of the Third Sector (McDonald & Marston, 2002b, pp385-386). McDonald has also separately identified the ‘mythic’ qualities which the sector attributes to itself; greater flexibility and innovation, adherence to clear values and philosophies and being responsive and empowering to consumers (McDonald, 1999).

McDonald (1997) and Spall (2002) have applied organisational ecology and neoinstitutional theory to test the holistic idea of the Third Sector against the idea of organisational fields and institutional orders. Organisational fields within that theory are defined as a community of organisations that participate in and uphold a common meaning system (McDonald & Marston, 2002a, p4). It refers to “*those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products*” (Di

Maggio and Powell 1983: 143). The concept of an institutional field is more diversified idea than the Third Sector. It potentially disaggregates the sector on industry lines into multiple sub-orders with an institutional relationship to state and for-profit organisations in the same field. The conflation of many different types of organisations is scarcely possible when viewed through the lens of these theories, which would seek to determine the institutional orders which predispose organisations to specific ways of organising.

Organisational ecology and neoinstitutionalism are two theoretical frameworks which offer potentially rich theoretical frameworks for the purposes of this research. They have much in common. Organisational ecology, as its name suggests, draws from bioecology and reflects ecological theory about animal and plant populations (McDonald, 1996, pp 36-37). It is concerned with the environment of organisations and explores the rates of change and disappearance of organisational forms at five levels of analysis: individual members, organisational sub-units, individual organisations, populations of organisations and communities of populations of organisations (ibid). Organisational ecology addresses two of the three criteria of the heuristic which has been adopted, which is to be able to explain the role of the nonprofit sector and organisational behaviour under conditions of change. However, the focus of the theory on ecological processes neglects the microprocesses of human agency and in particular the role of ideas (ibid, p43).

Neoinstitutional theory will be assessed in the next chapter against the heuristic adopted to select appropriate theory to explain why it is adopted as the research framework to support this project. At this point it will be noted only that neoinstitutional theory has the potential to achieve a more complete analysis of the Third Sector than is possible through application of the bodies of theory outlined in this chapter. Firstly, neoinstitutional theory provides a developed theoretical approach to institutional stability and institutional change, explaining the respective roles of government and sector in the change process. Secondly, neoinstitutional theory explains the behaviour of organisations under conditions of institutional change. Thirdly, and most significantly for the purposes of this research neoinstitutional theory is sensitive to the role which ideas play in creating, maintaining and changing institutions.

Conclusion

This chapter has reviewed a range of economic, political and sociological theories of the nonprofit sector. These theories were assessed against a heuristic developed to evaluate them against the needs of this research project. A theory was judged economic and adequate if it embraced firstly, a structural dimension to explain the changing roles of government and nonprofit sector in the mixed economy of welfare; secondly, the capacity to explain organisational behaviour in an environment of change and thirdly, an ideological dimension, that is, the normative and cultural frameworks of ideas which are in play during a change process. Economic and political theories were found to be able to contribute insight into one or more of the heuristic criteria, but not across all three. Sociological theory provides an alternative which is more fruitful for the purpose of this research. However, following Lyons, sociological research into the sector in Australia is underdeveloped and there is a lack of middle range theory (2000b), despite some interesting directions taken following a range of theoretical approaches which were cited. It was foreshadowed that neoinstitutional theory offers the possibility of a theory which encompasses the three dimensions of the heuristic. This theory will be explored in detail in the next chapter and a developed argument advanced to support this claim.

Chapter Four

A Review of Neoinstitutional theory

Institutional theory foreshadowed.

In the previous chapter economic, political and sociological theories of the Third Sector were reviewed, and evaluated against a heuristic for their ability to support this research. They were required to explain the respective roles of government and the nonprofit sector in the delivery of welfare services; organisational behaviour under pressures for change, and the framework of ideas which support decision-making and action. Against this heuristic, economic and political theories were evaluated as being able to contribute in specific ways, but not as being able to explain change across the three dimensions. In this chapter neoinstitutional theory is also assessed against the heuristic, and is found to be adequate for this purpose.

Firstly, the history of institutional and neoinstitutional theory is reviewed with a focus on its foundations in the study of cognitive microprocesses of social relations. This permits a more detailed examination of the ways in which scholars have tried to tie down the elusive definition of the institution, with a close examination of the focussed work of W. Richard Scott around what he termed the three institutional pillars. The subject matter of the research is the ideas which are expressed in the documents of the Inquiry. “Institutionalised ideas” are proposed as the core analytic unit. A provisional definition of institutional ideas is advanced and linked to the wider discussion within the theory around institutional logics and rationalities.

This leads to a discussion of concepts which are central to the concerns of this research project. The first idea contributes to theories of institutional stability, that is, the role which institutional ideas play in establishing the legitimacy of institutions and of organisations. However, another concern of this study is to relate the Inquiry to the ongoing process of institutional change of the sector, and so the development of neoinstitutional theory to explain institutional change processes is explored, including more recent work which attempts to account for power relations in this process. In conclusion the discussion is synthesised to present the cogent reasons for the selection of the theory to support this research project.

To assist in tracing the logic of this chapter the following table lists the review of subchapter headings and themes:

1. "Foundations of Sociological Neoinstitutional theory" traces the development of neoinstitutional theory drawing out the currently revived interest in the microfoundations of institutional theory, and its intersection with other theoretical approaches such as discourse analysis.
2. "Microfoundations of institutional theory" looks with more detail at the contributions of the sociologists Parsons, Garfinkel, Berger and Luckmann towards understanding what institutions are, and how they might be defined.
3. "What are institutions?" builds on the microfoundations and reviews prominent contributions towards a definition of institutions, illustrating the difficulties encountered.
4. "The normative, cultural-cognitive and regulative model" of W.Richard Scott is discussed as a more satisfying option to definitions which become increasingly unwieldy as they try to take into account all the dimensions of institutions. This model will be developed as a methodological tool, exploring the discursive intersection of ideas in the Inquiry.
5. As preparation for translating the model into a discursive framework, "Institutional logics and rationalities" draws on the literature in neoinstitutional theory which relates to the role of logics, rationalities and ideas. The core unit of analysis, an "institutionalised idea" is defined.

There are two aspects of neoinstitutional theory which are important in the context of this research: the first explains institutional stability and the second institutional change:

6. "Institutional processes and stability" - the role of the nonprofit sector as a provider of welfare services is legitimated through community and government acceptance of an institutional logic. Neoinstitutional theory provides explanations of institutional stability through the legitimacy which they acquire, and through their dissemination by isomorphic processes. Isomorphism is described in this section.
7. "Institutional ideas and legitimacy" explores the nature of institutional legitimacy and describes how ideas ,which are legitimated by stakeholders, contribute to institutional stability.

8. “Institutional change” introduces the developing field of neoinstitutional study around institutional change.
9. “Deinstitutionalisation and Reinstitutionalisation” introduces core concepts around the pressures for change and its effects.
10. Finally, “Neoinstitutional theory and Power” explores the role of power and agency in institutional change, notably in the resistance which parties may bring to the process. This is significant in terms of this research for assessing the resistance expressed by sector participants in the Inquiry process to managerial reform. Institutional theory is undeveloped in this regard and appropriate reference is therefore made to poststructuralist and postmodern conceptions of power and the State to supplement the theory.

Table 1: A Map of Chapter Four: A review of Neoinstitutional theory

Foundations of Sociological Neoinstitutional theory

The interest of institutional theory in the role of ideas in the creation and maintenance of institutional forms makes it initially attractive as a source of theory for a project which is investigating the relationship of ideas to institutional change on the nonprofit community welfare sector. Institutional theory has a long lineage. Ideas of institutional formation, not necessarily under the rubric of institutional theory, have engaged great sociological, economic and political thinkers of the last two centuries. Institutional thinking has therefore developed from multiple streams of theorisation, among which can be cited Weber’s study of rationality in organisational society, and the work of the sociological functionalists of the Parsonian school. Peters has identified many variants of new institutionalism across political science, economics and sociology (B. G. Peters, 2000). Similarly, Campbell describes three paradigms within institutionalism: rational choice, organisational (or sociological) and historical institutionalism (2004). The school of sociological neoinstitutionalism is the primary focus of this review, however, Campbell describes a second movement in institutionalism which is seeking to discover what the different institutional paradigms have in common and how they support each other (ibid, p4). Insights from alternative perspectives to sociological institutionalism are drawn upon in this work to supplement the theoretical insights of this school.

Two schools of sociological institutionalism, following each other chronologically, can be described. Powell and Di Maggio cite Selznick's seminal study of the Tennessee Valley Authority as the starting point for the "old institutionalism", and the subsequent beginnings of what has become known as neoinstitutionalism in 1977, with the publication of papers by John Meyer and Brian Rowan (P.J. DiMaggio & W.W Powell, 1991, pp11-12). The continuity between the two schools is important. For example, both schools of institutionalism share scepticism toward rational-actor models of organisation, and both stress the role of culture in shaping organisational reality (ibid1991, p12). However, while continuous in development they have divergent approaches to the problems and questions of institutions (ibid, p15). Both schools of institutionalism agree that institutionalisation constrains organisational rationality, but identify different sources of constraint (P.J. DiMaggio & W.W Powell, 1991, p12; W.W. Powell & DiMaggio, 1991, p12). The older variant was straightforwardly political in its analysis and emphasised vested interests and the possession of institutional roles and resources, equating institutions with organisations. The new institutionalism stresses the institutional context as a determinant and has a broader view of the meaning of institutions which will be explored below (Zucker cited in P.J. DiMaggio & W.W Powell, 1991, p12). Recent developments in neoinstitutionalism however have revived the interest in questions of power and agency, emphasising the continuity between "old" and "new" institutionalism.

Greenwood *et al*, in a timely synthesis of developments in neoinstitutional theory (Greenwood, Oliver, Suddaby, & Sahlin, 2008), have identified three phases of development (ibid, pp3-23). The first phase (1977-1983) laid down foundational constructs which highlighted the role which institutional contexts play in determining organisational behaviour. Two institutional processes of great importance were identified: Processes of *isomorphism* which account for the diffusion of institutional forms and the phenomenon of "*decoupling*" through which organisations separate their "ceremonial" symbolic structures from their technical core. Finally, the "taken-for-granted" character of institutionalisation was emphasised. This conditions organisational behaviour and determines, in the words of Zucker, that "alternatives *may be literally unthinkable*" (Zucker, cited in Greenwood et al, p5). These concepts, helping to explain institutional stability, are important to the concerns of this research and will be expanded upon below.

The second time period to 1991 saw new approaches to issues raised by the empirical application of these concepts, and a fruitful juxtaposition with other theories such as resource dependence theory and population ecology (Greenwood, Oliver, Sahlin, & Suddaby, 2008,p22). Greenwood et al describe the final period which brings us to the present as a time of taking stock. New directions have been charted in addressing the complex nature of institutional isomorphism, legitimacy as agency, institutional entrepreneurship and change and institutional logics (ibid, pp22-23). Their own edited collection of essays acts as a timely summary of developments, and points to future directions, which includes the application of discourse analysis as a methodology (see for example Phillips & Malhotra, 2008). This research project belongs to this period and applies thematic analysis to an institutional change problem.

Neoinstitutional theory has focussed largely on the macro-levels of sector, field and global processes (W.W. Powell & Colyvas, 2008, p276). However, there have been repeated calls to develop the microfoundations of institutional theory and this is now receiving analytical and research attention (Barley, 2008; Glynn, 2008; W.W. Powell & Colyvas, 2008; Sahlin & Wedlin, 2008). Institutions are reproduced through the everyday activities of individuals (W.W. Powell & Colyvas, 2008, p277). By solving problems, ascribing meaning and developing understanding, individuals play roles as actors who transform institutions (ibid). Through mixing and combining practices actors produce different patterns in institutional structure (ibid, p280). This perspective opens up the specific event of the Inquiry into *Charitable Organisations in Australia* to interrogation as a process of institutionalisation which can be affected by the actions of agents, rather than a more deterministic view which would view the process as a steamroller of institutional forces rolling over the sector.

The foundations of this microlevel analysis have authoritative intellectual antecedents which include the sociology of Talcott Parsons, the social constructivism of Berger and Luckmann and Garfinkel's ethnomethodology. The following section will therefore review, by necessity briefly, the contributions of these key thinkers in this field to draw out important characteristics of institutions.

Microfoundations of institutional theory

Talcott Parsons sought to move from utilitarian models of action, which interpreted organisations and institutions as the result of the aggregate of individual's attitudes and

actions to a voluntaristic model of institutions directed by conscious rational decision making (Heritage, 1984, pp8-9, 11-12,19). His answer to utilitarian determinism, and his contribution to institutional theory, was to highlight the subjective elements which lead to a state of order, and in particular the internalisation of cultural norms which encourage individuals to cooperate (P.J. DiMaggio & W.W Powell, 1991,p16; Heritage, 1984, pp15-16 and Parsons and Shils cited p17).

The culture which acts as the sources of these elements he describes as consisting of three realms; a cognitive realm (ideas and beliefs), a cathectic realm (affective/expressive) and an evaluative realm (of value orientations) (Di Maggio and Powell 1991, p17). While each of these realms can serve to orientate the individual, Parsons made some reductive decisions which reduced the explanatory power of the theory. Firstly, he dismissed culture as an object of orientation existing outside of the actor in favour of culture as internalised elements of the personality system, blocking analysis of the strategic use of culture in pursuing ends (ibid). Secondly his view of cognition was of a rational, discursive and quasi-scientific process which expresses gratification and desire, similar to the utilitarian framing of the interest-maximising individual. Di Maggio and Powell therefore describe his break with utilitarianism as incomplete (ibid). He effectively ruled out the evaluatively neutral and taken-for-granted aspects of routine behaviour. These theoretical weaknesses attracted Parson's student, Garfinkel, whose response became the theoretical framework of ethnomethodology.

While Parsons saw norms as values which were internalised and guided behaviour, Garfinkel externalised norms as forms of accounting practices of actors which maintain institutional orders (P.J. DiMaggio & W.W Powell, 1991, p21; Heritage, 1984, pp210, 228-232). To explain the difference Di Maggio and Powell cite the example of a person stopping at a highway restaurant to which they will never return. Someone who has internalised norms of behaviours will tip the waiter because they think it is a good thing to do and will experience a "warm glow" from the action. Someone who is acting from an externalised norm will tip without giving it much thought or experiencing an affective response. If they were to think about the action they may decide it is in their interest not to tip, however the point is that the institutionalised behaviour is taken-for-granted (P.J. DiMaggio & W.W Powell, 1991, note 23, p37).

Garfinkel sought to discover the role of practical, common-sense knowledge in establishing order in symbolic systems (P.J. DiMaggio & W.W Powell, 1991, pp19-20; W.W. Powell & Colyvas, 2008, pp279-280). He shifted the image of cognition from Parson's rational, discursive and quasi-scientific process to one that operates largely beneath the level of consciousness (P.J. DiMaggio & W.W Powell, 1991, p20). For Garfinkel, norms were cognitive guidance systems and rules of procedure that actors employ flexibly and reflexively to assure themselves and others that their behaviour is reasonable. Through routinisation, schemas become embedded and hardened and develop a taken-for-granted character (W.W. Powell & Colyvas, 2008, p280). The deterministic feel which this characterisation has is modified by understanding that actors, including organisations, have rich and varied repertoires to draw from (ibid). Nevertheless it stops short at an understanding of how actors may modify institutions through agency, an issue which will be taken up below.

Garfinkel's work was complemented by that of Berger and Luckmann who, in a now classic defining work of social constructionism established some of the ontogenetic foundations of institutionalisation (Berger & Luckmann, 1967; P.J. DiMaggio & W.W Powell, 1991, p21). Like Garfinkel, Berger and Luckmann emphasise the centrality of 'common sense knowledge'; the validity of our knowledge of everyday life is taken for granted unless breached by an unconventional action (P.J. DiMaggio & W.W Powell, 1991, p21). Berger and Luckmann envisioned the theoretical basis for the institutionalisation process as the maximisation of the efficient disposal of resources. Institutions are ways of habitualising activity so that a continuous act of renewal and reinvention is not required, and a minimum amount of energy is expended on repeated actions. They described habitualisation of activity as the foundation of institutionalisation (Berger & Luckmann, 1967, p71). By narrowing choices, a stable background is established for the maintenance of the fragile human economy, and effort can be focussed more efficiently. Habitualisation means that it becomes unnecessary for each situation to be defined over again and again. Habitualisation precedes institutionalisation.

Institutionalisation occurs whenever there is a *reciprocal typification of habitualised actions* by types of actors, that is, when habitualised actions between individuals are accepted, legitimated and become taken-for-granted (ibid, p72). In practice these reciprocations manifest themselves generally in collectivities, the minimum number of which is two people (ibid, p73). When the actions of one individual can no longer directly affect habitual activities

then an institution has been established. Institutions are pervasive and variable across many dimensions, as will be demonstrated below when an effort is made to define them further. For example, it is possible to consider institutions at different ends of a spectrum of definition and clarity. The protocols which the customer has to negotiate to buy a bread roll sandwich from a “Subway” are highly regularised. The first time buyer has to be oriented to a production line process which is unquestioned by the staff. At the other extreme of clarity and certainty, however, the growing acceptance by nonprofit boards of a “Governance” responsibility, rather than a hands-on management responsibility, is an example of a changing form of institutional practice which although new and different to some boards is nevertheless accepted with varying degrees of acceptance, as a necessity. However, this developing institutional form is characterised by differing interpretations and different levels of understanding.

Institutions are experienced by actors as an objective reality (ibid, p77), historically created and passed on from generation to generation as tradition (ibid, p79). Social controls become part of the process of institutionalisation (ibid, pp79-80), and a system of sanctions is established which ensures that there is a cost to deviance from the institutional order. Berger and Luckmann grant extraordinary power to institutions as cognitive constructions, suggesting that they control human conduct (Berger and Luckmann cited in P.J. DiMaggio & W.W Powell, 1991, p21). It can now be seen that this occurs through the creation of an institutional logic which reflects understandings of “*reciprocal typifications*”. Language provides the fundamental tool for the superimposition of logic on the social world, providing the knowledge that people believe that they have of that institution (ibid).

The microfoundations established by Garfinkel, Berger and Luckmann contributed greatly to the development of neoinstitutional theory, through their emphasis on the role of a “logic of confidence” in sustaining an illusion of intersubjectivity and in the definition of institutionalised rules as “*classifications built into society as reciprocated typifications or interpretations*” (P.J. DiMaggio & W.W Powell, 1991, pp21-22). Powell and Di Maggio acknowledge the benefits of the focus on cognitive microfoundations but note that the theory of action which results has some deficiencies. Notably that social stability cannot be reduced to an inventory of typifications or sets of rules, and that intentionality, interest and agency are not accounted for (P.J. DiMaggio & W.W Powell, 1991, p22). In developing a corrective “elements of a theory of action” they point to the work of a number of theorists to further the

development of the microfoundations of institutional theory (P.J. DiMaggio & W.W Powell, 1991, pp22-26). Giddens' contributes through the theory of structuration the idea of the continual and necessary reproduction of social structure. The intentionality and interest of agents is acknowledged to affect "shared typifications" reciprocally. Institutions are therefore constantly being monitored and affected by the reflexive monitoring of conduct in everyday life (P.J. DiMaggio & W.W Powell, 1991, p22). However, while drawing out the possibilities of agency to influence the shape of institutions he does not account for the reasons why certain routines become successful and others do not (ibid). Goffman and Collins have contributed an explanation for the success of routines in terms of the concept of ritual games. Successful encounters and feelings of reinforced selfhood even if based upon "*blindnesses, half truths, illusions and rationalisations*" lead to an affirmation of particular actions and behaviours which affirms them as successful choices (P.J. DiMaggio & W.W Powell, 1991, p23). These approaches provide a grammar of interaction that assures stability, but also allows the possibility of endogenous change originating with the actors themselves as they grapple with changed conditions and external shocks.

Despite believing that these approaches provide a way forward for neoinstitutional theory Powell and Di Maggio also demonstrate the continuity of the "old" and "new" institutionalisms when they caution against an overreliance on cognitive theory, at the expense of the old institutionalism's focus on strategic and political elements of action and institutional change (P.J. DiMaggio & W.W Powell, 1991, p27). The creation of institutional arrangements is rife with conflict, contradiction and ambiguity which need to be explained within the theory. Subsequent theoretical advances have recognised this deficiency. Before exploring theoretical developments within the neoinstitutional framework around change, agency and power, however, some core ideas around the logics of institutions which are foundational to the theoretical structure will be explored.

What are institutions?

The previous discussion has highlighted the cognitive roots of the idea of an institution, however it should be noted that neoinstitutionalists have not always been clear about what they think an institution is. Campbell notes for example the different definitions of institutions across the schools of rational choice, historical and sociological institutionalism, (Campbell, 2004, pp3-4). In a recent review of theory Greenwood et al expressed that for

many theorists the problem was put aside and “ *there emerged an unwritten assumption that we intuitively know what we mean* ” (Greenwood, Oliver, Sahlin, et al., 2008,p15).

However, a research methodology requires a clearer understanding of what is meant. As examples below demonstrate attempts to create a totalising definition become progressively more unwieldy as new characteristics are discovered. In the next chapter the social constructionist epistemology which underlies this research will be described. This lens can be applied to the problem of definition; conceptualising institutions as intellectual constructions developed by thinkers who are approaching them from different perspectives and with different needs, frees the researcher from the need for one all-encompassing definition. It becomes possible, rather, to develop more limited definitions which apply within the boundaries of specific research. As this research is largely around the notion of the institutionalised idea, a definition of this analytic unit is developed below. In preparation for this step some of the work done around definitions of institutions will be reviewed.

While there are a range of possible definitions of institutions, Berger and Luckmann’s, which was cited above, is cogent and based upon those microfoundations. They describe institutions as “ *reciprocal typifications of habitualised actions by types of actors*” (cited in P.J. DiMaggio & W.W Powell, 1991, p21), a definition which has the strength of underlying the taken-for-granted and only partly conscious nature of those institutions. It is also simple enough to encompass the many varieties of institutional forms, including that of institutionalised ideas, and form the basis of a more general definition.

Jepperson lists the following as examples of institutions: marriage; sexism; the contract; wage labour; the handshake ; insurance; formal organisation; the army; academic tenure; presidency; the vacation; attending college; the corporation; the motel; the academic discipline, and voting (1991, p144). Clearly each of these items refers to very different things. Some are concrete and immediate, such as the handshake, and others are abstract, such as formal organisation. But they share commonalities or “family resemblances” in Wittgenstein’s terms and can be understood in terms of reciprocal typifications, or mutual understandings of appropriate ways of structuring behaviour and organisational forms, and even of thinking (Fearn, 2000, p143). Jepperson describes them as “*metaphors which connote stable designs for chronically repeated sequences*” (Jepperson, 1991, p144)

Jepperson, while perhaps more descriptive than categorical, adds to Berger and Luckmann's definition an emphasis on the social reproduction of institutions, that is, that institutions sustain themselves. Their socially constructed controls are inherent in the institutions themselves, so that, for example, a person who steps outside of them will be sanctioned automatically by processes of exclusion or punishment (1991, p145).

A more recent definition by Greenwood et al, which is advanced by them provisionally, synthesises various positions and describes institutions as “ *more-or-less taken-for-granted repetitive social behaviour that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order* ” (Greenwood, Oliver, Sahlin, et al., 2008,p5).

While capturing the cognitive element of “reciprocal typifications” this definition does not adequately capture the regulative aspect of institutions. New organisations within an institutional field draw on existing templates which are partly determined by regulative arrangements such as rules and regulations, and commonly legitimated ways of doing business. This aspect of institutions is crucial to take into account in the context of the *Inquiry into Charitable Organisations in Australia* which is largely concerned with redefining the regulative environment. It also does not adequately include ideas as institutionalised elements, according them a role as underpinning elements, but not recognising that ideas themselves can become taken-for-granted through institutionalisation processes.

The difficulties of defining institutions are highlighted by this discussion, and give credence to the idea of scholars throwing up their hands and saying that we intuitively know what they are. It suggests also that a generalised definition of institutions will vary depending on the type of institutions being discussed, and makes Berger and Luckmann's more simple formulation attractive. It is in this context then that Scott's contribution of the three pillars of institutions becomes helpful.

The normative, cultural-cognitive and regulative model

Berger and Luckmann's definition, while attractive in its simplicity, is inadequate to describe and define complex institutional forms. An often cited and influential model of neoinstitutionalism which addresses this complexity has been developed by W. Richard Scott (Greenwood, Oliver, Sahlin, et al., 2008,p23). Scott synthesised the diverse strands of

neoinstitutional theory to create a three-pillar model of institutions comprising normative, cultural-cognitive and regulative elements (Scott, 2001, pp47-70).

Scott formulated the three pillars by drawing on the work of theorists with “*somewhat different conceptions of the nature of social reality*” (ibid, p 47), and proposed that the synthesis is more powerful in an explanatory sense than when each pillar is taken alone (ibid, p51).

In a broad sense the regulative pillar is a concern of all scholars who chart the regulatory power of institutions, however it draws most heavily on those concerned with explicit regulatory processes: rule-setting, monitoring and sanctioning activities (ibid, p52). The carriers of the regulative pillar are therefore rules and laws, governance systems and protocols (ibid, p77).

Another group of theorists, among who can be cited Parsons, Durkheim and Selznick, see institutions resting on a normative pillar. The normative institutional pillar is the moral root of organisations. Each institutionalised organisational form, and indeed each organisation is created with a core and essential *raison d'être*. This reason for existence is informed by sets of values which are owned by the originators of that institutional form or of that organisation. Values are conceptions of the preferred or the desirable, “*together with the construction of standards to which existing structures or behaviour can be compared and assessed*” (ibid, p54-55). The constitutive elements of the normative pillar are therefore: values, or the conception of the preferred or desirable; norms or the specifications of how things are to be done, and roles or conceptions of appropriate goals and activities (ibid, pp54-56). Normative aspects introduce a prescriptive, evaluative and obligatory element into institutions. They stem largely from social obligation, and professionalisation, and imply a regard for expectations from other members of the organisational field (ibid, p54, Hoffmann, 1999, p353).

Cultural-cognitive elements are the focus of theorists whose work on microfoundations was noted above, such as Berger. It refers to the shared conceptions, or internalised symbolic representations of the world that frames the meanings which are attributed to social reality (Scott, 2001, p57). They are the basis for the taken-for-granted nature of institutions by which it becomes, for example, unthinkable to do things differently (Hoffmann, 1999, p353; Scott,

2001, p57). They are carried by templates for actions and scripts for roles (Scott, , op cit, pp57-58,77).

The cultural-cognitive pillar of institutions is described by Scott as “ the shared conceptions that constitute the nature of social reality and the frames through which meaning is made” (Scott, 2001, p57). It is a symbolic system which mediates between the “external world of stimuli and the response of the individualised organism” (ibid). In other words, this system contains ideas about how the world works, and the individual uses it to assess the best courses of action when confronted with various stimuli. Drawing on Searle and Berger and Luckmann, Scott argues that cultural-cognitive ideas are *constitutive*, that is that they involve the devising of categories and construction of typifications (ibid, p64). Scott provides the example of a football game to illustrate; the constitutive elements of football are those which explain how the game is played, the field is set up and what the role of various elements such as the goal posts are, and thus are qualitatively different from the simple regulations about how the ball is advanced and penalties applied (ibid).

The value of the three pillar form is that it integrates and synthesises key strands of institutional research into a model which is applicable to a rounded analysis of institutions. In terms of research into institutionalised ideas it firstly gives appropriate weight to ideas as institutional elements and secondly describes their functions. However, while the three pillar form is frequently cited because of the clarity which it brings by integrating diverse strands of theory, there is a danger that it oversimplifies institutional structure. Scott said that the model makes better sense when the three pillars are synthesised, however, some scholars have criticised his description of them as analytically independent and self-contained. They see them as overlapping, so that the development of one aspect will influence the development of the others (Hoffmann, 1999, p353). Applied with an awareness of potential overlap, however, the three pillars of institutional orders and institutionalised ideas present a framework with which to analyse institutionalised ideas. By drawing attention to the different kinds of institutional logics, the three pillars supplement Berger and Luckmann’s definition and the elaborated efforts of other scholars to define institutions. It provides a framework which is applicable to complex institutional structures, and has particular relevance to the needs of this research project.

The discussion that has been conducted so far brings out the complex and sometimes unwieldy definitions of institutions. It becomes important then in respect to this research project to identify the core elements of a definition which are applicable. In this research the elements which are critical are: the cognitive underpinnings of ideas; their taken-for-granted nature as reciprocal typifications; their capacity to reproduce themselves thereby providing templates action and organisational structures, and finally their extensions across the three dimensions described by Scott's model. In the next chapter Scott's framework is elaborated as a methodological tool which focuses on ideas which emerge from the texts. It is claimed that these ideas have institutional significance, and that therefore the core analytical unit is the "institutionalised idea". This clearly connects to the cognitive roots of institutional theory, and calls for a definition of institutional ideas which draws a distinction between an idea personally held, and an idea which has structural significance, that is, as an institution.

Institutional logics and rationalities

The three pillar framework draws on the cognitive underpinnings of institutions. In a commonsense reading these may be described as "ideas", however the word can imply a vast range of different types of cognition. Peters has identified many variants of new institutionalism across political science, economics and sociology employ cognitive terms such as "idea" in different ways (2000).

Within the tradition of sociological neoinstitutional theory, in which this research project sits, the cognitive aspects of institutions are usually described as institutional *logics* or *rationalities*, where they have become the subject of a separate stream of analysis. Their relationship with institutionalised ideas is close and at times contiguous.

The seminal definition by Freidland and Alford (1991) describes institutional logics as the practices and beliefs inherent in institutions of western society (ibid, p101). Institutional logics as discussed by them are high-level concepts. Friedland and Alford for example talk about the logic of capitalism, Christianity and the bureaucratic state (ibid, pp248-249). They proposed that institutional logic is a determinant of both the shape of organisations and the action scripts of individuals.

"Institutions constrain not only the ends to which their behaviour should be directed, but the means by which those ends are achieved. They provide individuals with vocabularies of motives and with a sense of self. They generate not only that which is

valued, but the rules by which it is calibrated and distributed. Institutions set the limits on the very nature of rationality and by implication of individuality.” (ibid, p251).

By defining “*the very nature of rationality*” institutional logics determine what can be spoken of, and perhaps even thought of. The logic of institutional processes therefore sets rules which constrain and define rationality (Scott cited in Townley, 2002, p164). Institutional logic refers to the ‘organising principles’ that “*furnish guidelines to field participants as to how they are to carry out the work*”(Scott, 2001, p139; Townley, 2002, p164).

Townley developed a framework which is more amenable to a closer reading of institutional logics than that provided by Friedland and Alford. Drawing on Weber, she unpacked institutional logics into components which she refers to as *rationalities* (2002, p163). She describes various attempts within institutional literature to broaden the scope of formal, instrumental, purposive or means-end rationality. Weber himself wrote about different types of social action which are not necessarily formal or self-reflective (ibid pp164-165) and Kalberg identified four types of rationality emerging from Weber’s work: The *practical* (the calculation of the most expedient or pragmatic ways of dealing with day-to-day difficulties; the *theoretical* (construction of increasingly precise abstract concepts involving deduction, attribution of causality, and the formation of symbolic meanings); the *substantive* (a preference for certain ultimate values) and the *formal* (a means- end rational calculation) (ibid p165). The value of identifying these different rationalities is that it produces an analytic framework which allows differentiation of the cognitive field. This framework has profitably been applied by Townley in investigation into institutional change in the field of Canadian cultural heritage protection, where she found that identifying dimensions of rationality helps clarify the discrepancy between institutional factors that influence compliance and that militate against compliance (ibid, p178). Her description of discursive contestation might well be applied to the present study:

“Dimensions of rationality combine or struggle against one another in a tapestry of shifting balances. They may coalesce and conflict. This shifting allows for a dynamic analysis of responses to rationalized myths, in which one can trace elements of accommodation and resistance over time, and for the identification of internal tensions and contradictions” (ibid, p165).

The identification of institutional logics and rationalities is one of the tools available in the understanding of institutional change, however the distinction between logics, rationalities and institutionalised ideas are difficult to determine within the literature. In the sense with which institutionalised ideas are used in this work it as building blocks, or ideational elements of that logic. In this sense Townley uses the concept of rationality as coterminous with institutionalised ideas.

A concept drawn from the school of historical institutionalism is useful in describing the boundaries of ideas as including a component which is applicable to policy formation. Ideas are available to the public policy analyst in the form of a repertoire of relatively coherent sets of cultural symbols and political representations, which can be mobilised during policy debates to frame issues and shape public opinion (Marx Ferey cited in Beland, 2005,p10). Institutional logics create repertoires of ideas which may be drawn upon in the public policy debates around institutional change processes of the nonprofit sector in Australia. The ideas deployed during the *Inquiry into Charitable Organisations in Australia* are ideas which have a bearing on the development of social policy.

Bearing these remarks in mind the following definition of institutionalised ideas is advanced, and is applied to define the ideas which emerge from the analysis of the Inquiry:

An institutionalised idea is a distinguishable unit of cognition which has been legitimated through institutional processes and is deployed across normative, cultural-cognitive and regulative institutional pillars.

This definition clearly draws on Scott's three pillar framework, however this choice was not arbitrary. Various attempts have been made to refine the frameworks of institutionalised ideas within institutional theory generally and within sociological neoinstitutionalism. Schmidt (2002) employs the term discursive institutionalism to describe the role of ideas and of discourse in explaining institutional change. She further suggests a distinction between cognitive and normative ideas. In Schmidt's scheme cognitive ideas provide causally based recipes for guiding actions, and normative ideas legitimise choices on the basis of values. An understanding of discourse is required to convey how policy actors employ those ideas in different institutional contexts. Another approach to the role of institutionalised ideas is supplied by Townley (2002), as described above who built a framework of rationalities, informed by Weber.

Both of these frameworks have considerable validity in terms of pulling ideas out of the mass of data and giving them a weighting which highlights their functional status within an institutionalist framework. However, these were considered not to be as economical or as effective as Scott's framework of Three Pillars of normative, cultural-cognitive and regulative ideas. Initially Townley's framework was considered as being able to provide the most thorough analysis, however, in application it became evident that there was too much overlap in the different ideas, and that distinguishing the categories proved unworkable. Its utility was therefore limited. In addition, interrogating documents of the Inquiry provided evidence around *substantive* and *theoretical* rationalities, however *practical* and *formal* rationalities which are evident in the day-to-day operation of organisations were not as likely to be easily discerned. In comparison, the distinction between cognitive and normative ideas favoured by Schmidt subsumes into "cognitive" ideas the two useful distinctions drawn by Scott, which is between cultural-cognitive and regulative ideas. If Schmidt's framework is too parsimonious, and Townley's' framework potentially too refined, Scott's three pillars framework provides a balance, which allows for clear identification of the functions of ideas. For this reason Scott's framework was finally adopted to structure the ideas which will be identified using a thematic methodology.

Drawing on the framework described above a more precise definition of normative, cultural-cognitive and regulative ideas is presented. As noted above, ideas will not always have characteristics which can be described finally as either normative, cultural-cognitive or regulative. Depending on context, ideas will have different functions, as will be indicated in the presentation of the research in Chapter Six.

- a) *A normative idea is a distinguishable unit of cognition which has been legitimated through institutional processes and which reflects sets of values which are conceptions of the preferred or the desirable together with the construction of standards to which existing structures or behaviours can be assessed.*

In relation to this research project altruism, which will be explored in Chapter Six, as a moral idea informing work in the nonprofit community welfare sector, is an example of a normative institutionalised idea.

- b) A cultural cognitive idea is a distinguishable unit of cognition which has been legitimated through institutional processes and which are descriptive of the shared conceptions which are attributed to social structures and relations.*

An example of a cultural-cognitive idea in relation to this research would also be altruism, not as a normative rule to be followed, but as a descriptor of what is perceived to be the values which people bring to the sector.

- c) A regulative idea is a distinguishable unit of cognition which has been legitimated through institutional processes which determines rules of behaviour and action by individuals and organisations and sanctions to be applied when these rules are breached.*

An example of a regulative idea in relation to this research is that quality management and improvement could be self-regulated by organisations within the sector.

As noted above, there is some disagreement in the literature about the overlap of the normative, cultural-cognitive and regulative pillars. Clearly, as exemplified above, some ideas will have different complexions depending on their context. Inevitably also, the investigative lens brought by the researcher and described in Chapter One, will also affect judgements about what kind of idea one is looking at. These are inevitable limitations of judgement which lead to seeing the analytic construct as a heuristic which reveals how and why an idea is being used. It may not be possible to achieve uncontested accuracy in assignment of an idea to a category, however, the application of such a category will reveal what its functions may be in a discursive situation where those ideas are deployed and used by participants engaged in a work of persuasion and resistance.

Finally, in neoinstitutional theory logics, rationalities and ideas are essential elements of processes of institutional stability and change. In succeeding sections theorists' concerns with institutional stability and institutional change, and the role of ideas in those processes will be explored. This will provide an important conceptual apparatus for later analysis.

Institutional processes and stability

The first phase of neoinstitutional research emphasised the elements of institutionalisation which bring about the stability and continuity of institutional forms. Organisational economists propose that institutions reduce uncertainty by providing dependable and efficient frameworks for economic exchange, reducing transaction costs (P.J. DiMaggio & W.W. Powell, 1991, p4). In theory, inefficiency in overcoming transaction costs should lead to the demise of institutions and organisations which embody them, however their persistence challenges the purity of rational choice theory. Institutions may persist even when they are sub-optimal (P.J. DiMaggio & W.W. Powell, 1991, p4). In modern societies formal organisational structures arise in highly institutionalised contexts, which allow new organisations to be created, and forces others to incorporate new practices and procedures. These help them to increase their legitimacy and survival prospects (Meyer & Rowan, 1991, p41). Neoinstitutional theory takes as its starting point the remarkable homogeneity of practices and arrangements across organisational structures and processes that are industry-wide, national and international (P.J. DiMaggio & W.W. Powell, 1991, p2). Institutional forms may lead to bureaucratisation which makes organisations more similar without necessarily making them more efficient (P.J. DiMaggio & W.W. Powell, 1991, p64).

In a seminal article Di Maggio and Powell identified three forms of isomorphic pressure which ensure that institutional forms are diffused: coercive isomorphism, in which formal and informal pressures exerted on organisations by other organisations upon which they are dependent and by cultural expectations in the society within which they function result in an homogenisation of structure and process (ibid,p67); mimetic isomorphism which results when the environment is uncertain and organisations model themselves on other successful organisations (ibid, p69-70) , and normative isomorphism which results from the diffusion of standard norms in organisations through the cognitive base produced by universities and professionals about how organisations should be run (ibid, pp70-71).

Meyer and Rowan proposed that isomorphic processes disseminate institutional forms which have been legitimated for other reasons than that they contribute to the efficiency of organisations; they employ external or ceremonial assessment criteria and they reduce turbulence and maintain stability (1991, p49). This last point is of great interest. It is not logical that organisations would devote scarce resources to the reproduction of practices with dubious value to the productivity of the organisation unless it adds to its survival value in

other ways. When organisations in the nonprofit sector cooperate or collaborate it is helpful and promotes a different kind of efficacy if those organisations embrace similar ideologies or can recognise similar motivations. Their legitimacy as nonprofit welfare organisations is more easily recognised. Organisations that have established their credentials within the nonprofit welfare sector are then more likely to attract resources in the way of government and philanthropic funding. The cognitive focus in neoinstitutionalism draws attention to cognitive and cultural ideas as independent variables, which are as important in an explanatory sense for institutional stability as economic rationales (P.J. DiMaggio & W.W. Powell, 1991, pp8-9).

An important aspect of isomorphism is the use made of language. Language carries persistent ideological elements, and legitimated vocabularies, adopted by organisations, buffer them from potential stressors (Meyer & Rowan, 1991, p50). This highlights the importance of a shared discourse of institutionalised ideas to the legitimacy of the sector, a theme which is pursued below.

The diffusion of institutional forms, their stability and continuity, is closely linked to questions of legitimacy, which has evolved as a sub-field of neoinstitutional theory (Deephouse & Suchman, 2008). Questions of legitimacy are also central to the issues around this research project, notably because it is proposed that the institutionalised normative and cultural ideas of the sector play a role in the discursive contestation of the Inquiry, and are enabled to do this because of the legitimacy which those ideas have acquired. For these reasons the development of legitimacy theory under the umbrella of neoinstitutional theory needs to be briefly summarised, with its implications for this research outlined.

Institutional ideas and legitimacy

As Meyer and Rowan argued in their seminal article on institutionalised organisations, organisational success depends on factors other than efficient coordination and control of productive activities. Organisations also need to incorporate socially legitimated rationalities and logics, which Meyer and Rowan refer to as institutionalised “*myths*” (1991). Organisations draw on institutionalised ideas, logics, rules, beliefs and modes of operation to achieve that needed legitimacy.

Suchman defined legitimacy as “*a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of*

norms, values, beliefs and definitions” (cited in Scott, 2001, p59). In order to thrive in highly elaborated institutional environments organisations need to gain the legitimacy which attracts the resources needed to succeed (Scott, 2001, p53). To capture this legitimacy organisations need to have their actions endorsed by powerful external collective actors, such as government or policy networks, and need to be able to develop strong relationships with them (Singh, Tucker, & Meinhard, 1991, p398). By becoming isomorphic with that environment, that is to say, adopting the institutional forms which are successful in the field, organisations will reassure those powerful external collective actors and collegial organisations within the institutional field that they will behave appropriately and are reliable. So, for example, the need for nonprofit organisations to attract funding either from government or public donations is linked closely to their legitimacy in the eyes of the community and major stakeholders.

The initial formulation of institutional legitimacy can be traced back to Weber who suggested that legitimacy results from conformity to general social norms and formal laws (Deephouse & Suchman, 2008, p50). Parsons applied Weber’s views and redefined legitimacy as the congruence of an organisation with social laws, norms and values (ibid). At this stage obviously legitimacy was viewed from an organisational perspective rather than an institutional field.

Subsequent work has evolved a number of typologies of legitimacy some of which are unnecessarily sophisticated for the concerns of this study ⁵. Two in particular, however, are of relevance to this study. M.Scott and Lyman adopted a categorisation by Meyer and Rowan to define: *pragmatic legitimacy*, or rational effectiveness; *regulatory or sociopolitical legitimacy* gained through legal mandates, and *normative or moral legitimacy* gained through collectively valued purposes, means and goals (ibid, p50). A notable expansion of the concept viewed legitimacy from the perspective of an absence or presence of questioning, that is, when organisations or institutions are no longer remarked that this indicates their legitimacy has become taken for granted (ibid, p51). Hirsch and Andrews proposed that legitimacy is called into question through performance and value challenges. Performance challenges result when organisations are perceived as having failed to execute their stated purpose, and value challenges when organisations’ missions and goals become compromised (ibid, cited in

⁵ For example, Suchman has developed a typology of twelve types of legitimacy

p51). Both challenges are significant when reviewing the legitimacy of nonprofit community welfare sector organisations and the institutional forms on which they are built, however the centrality of values in particular is important when considering the normative and cultural frameworks of the sector. The lack of questioning of these values through the Inquiry indicated that these institutionalised ideas remain central and taken-for-granted. This becomes an important factor in analysing the significance of those ideas to the discursive contestation of the Inquiry.

An alternative typology of legitimacy is offered by W. Scott based upon his framework of the three institutional pillars in which the ideas and logics of the three institutional pillars provide different kinds of legitimacy (Scott, 2001, pp58-61). The normative emphasis is on values and moral beliefs. The regulatory emphasis is on conformity to rules and to the legal environment. The cultural-cognitive comes from adopting a common frame of reference which Scott argues is the deepest level because it rests on pre-conscious, taken-for-granted understandings (ibid, pp60-61).

Deephouse and Suchman argue, however, that researchers should not become fixated with defending or refining typologies of legitimacy. The essential question is not theoretical purity but the fact that organisations must give an “acceptable theory” of themselves which will incorporate arguments built upon all types of legitimacy (2008, pp67-68). This research project is not concerned with the rational effectiveness of individual organisations. These are not evident in the Inquiry process. It addresses instead the function of normative and cultural legitimacy of institutionalised ideas of the sector, and the legitimacy of the Industry Commission to prepare its regulative recommendations. For these reasons the typology advanced by W.Scott is adequate for analytic purposes.

Sources of legitimacy are the internal and external audiences who observe organisations and make legitimacy assessments (Deephouse & Suchman, 2008, p54), and specifically those who have the capacity to mobilise and confront the institutional form (Meyer and Scott cited in Deephouse & Suchman, 2008, p54). The context of discursive contestation of the Inquiry is in a sense a closed world. Whatever the generalised community acceptance of these ideas may be, within the Inquiry proceedings specific sources of legitimacy are required. If the Commissioners should reject an institutionalised idea, for example, the legitimacy of that idea is called into question. Having said that, the “closed” world of the Inquiry is embedded in a

wider social context and the Commissioners do not reject these institutionalised ideas because of their generalised community acceptance.

The consequences of legitimacy are of central interest to this study. There is considerable supportive evidence of the thesis advanced since the beginnings of neoinstitutional theory that legitimacy enhances organisational survival (Deephouse & Suchman, 2008, pp58-59). Deephouse and Suchman however have pointed out that legitimacy can also be manipulated to achieve organisational goals beyond the minimal conditions for survival (ibid). This insight implies that legitimacy can have an instrumental purpose, and may be deployed to position organisations within an institutional field advantageously. In the context of this research this insight has considerable explanatory capacity and explained how institutionalised ideas were deployed in the discursive contestation of the Inquiry.

Neoinstitutional theory has employed legitimacy and the processes of diffusion of institutional forms through isomorphism to explain the creation and maintenance of institutional forms. In the process it has elaborated the role of institutional logics and rationalities. This however is only half of the story. The other aspect of the theory is its renewed focus on institutional change.

Institutional change

The initial formulation of neoinstitutional theory might appear relatively static with a focus on the abiding elements of institutionalisation in terms of myths and structures. This was recognized early by some of the most influential of neoinstitutional theorists (for example, W.W Powell, 1991; Scott, 2001, p193). In 1991 Powell called for an expansion of the scope of neoinstitutional theory to address the processes that generate institutional change (1991, p183). Scott made the point that much of the focus in the study of institutional change has been on the formation of new elements and their diffusion across host forms through processes such as isomorphism. Since these initial comments, a range of theoretical models have been proposed (Barley & Tolbert, 1997; Campbell, 2004; Greenwood & Hinings, 1996; Kondra & Hinings, 1998). Specific work has been done in detailed aspects such as studying the antecedents of deinstitutionalisation (Oliver, 1992, pp181ff; Scott, 2001) and studying competing rationalities of institutional change (Townley, 2002). In this development a number of types and processes of institutional change have been proposed.

Deinstitutionalisation and Reinstitutionalisation

This study is an exploration of change in the nonprofit community welfare sector in Australia as it responds to the challenges of the national and international environment. The processes described in the Introduction are reshaping the sector to accord with new demands and needs. Institutionalised relationships and understandings about the sector, such as its tax status and its competition with the business sector, are in question and new institutional forms are being created. For this reason the change processes of deinstitutionalisation and reinstitutionalisation are of particular interest to this study. However it is not a foregone conclusion that the processes of deinstitutionalisation and reinstitutionalisation are an adequate description of what is occurring in Australia in the early twenty-first century. To understand this issue more fully the concept of deinstitutionalisation and reinstitutionalisation in neoinstitutional theory is explored below, drawing out its implications in relation to institutionalised ideas.

Jepperson defines deinstitutionalisation as an exit from institutionalisation, towards nonreproductive patterns or social entropy. He describes reinstitutionalisation then as the entry into another institutionalised form (1991, pp152-153). Scott defines deinstitutionalisation as the processes by which institutions weaken and disappear through processes of enfeebled laws, diluted sanctions, and increasing noncompliance which come from an erosion of cultural beliefs and the increasing questioning of what was once taken for granted (2001, p182). Oliver similarly defines deinstitutionalisation as the process by which the legitimacy of an established or institutionalised organisational practice or procedure is eroded or discontinued as a result of organisational challenges or the failure of organisations to reproduce these previously legitimated or taken-for-granted organisational actions (1992, p564). In the three definitions cited (Jepperson, Oliver and Scott) Scott and Oliver highlight the failure of legitimacy of the institution and Jepperson highlights the entropic results of leaving an institution. The failure of legitimacy is linked to the failure of the authority and domination of the institution. As institutions are attached to social controls and sanctions they contribute in fundamental ways to the establishment and maintenance of social order, or its structuration. For this reason, deinstitutionalisation may have entropic results as Jepperson suggests, however his definition does not go far enough in considering that both deinstitutionalisation and reinstitutionalisation may be occurring concurrently, and social change occurring without a breakdown in social systems and structures.

Oliver identifies three sources of pressure towards deinstitutionalisation: political, functional and social (ibid, pp 566ff). Political pressure may emerge both intraorganisationally and from the operating environment. Mounting performance crises, a growth in the number of organisational members whose beliefs contradict the status quo, increased pressure to adopt innovation and a reduction in the dependence on the old supports of institutions are characteristic indicators of political pressure (ibid, p568). Berger and Luckmann's definition of institutions as reciprocal typifications indicate that consensus, whether conscious or unconscious is critical. The introduction and adoption of alternative rationalities is an overt form of political pressure brought to bear on the organisational field (ibid, pp568-569).

Functional pressure results from the failure of technologies and methodologies (ibid, p571). Ways of doing things are no longer taken for granted. The utility of an institutionalised practice will also be reassessed when economic criteria of efficiency and effectiveness begin to conflict with, or intrude on, institutional definitions of success (ibid, p572). A critical perception, for example, that the way that the nonprofit community sector operates is less than efficient, may create functional pressure on the field.

Social pressure refers to changes in the environment which lead to institutionalised practices being seen to be untenable. Rationalities become challenged when their reason for being is no longer obvious and in fact may be at odds with changes to society at all levels. They will include changes to the composition of the workforce, financial challenges brought on by broader market conditions, and changes in dominant ideology (ibid, pp574-578). While organisations may be proactive in responding to political and functional pressure, social pressures may result in slow, progressive fragmentation of institutional ideas (Oliver, 1992, p575). At this level may be considered economic rationalist and managerial ideologies working their way through the different levels and agencies of the State, leading finally to questions of their applicability to the sphere of civil society.

Some of these pressures will be exogenous and some endogenous to the institutional field (Scott, 2001, p187). Processes of isomorphism for example may be endogenous, while political and social pressures described above are coming at least partly from outside of the system. These pressures destabilise institutions and Scott proposes two ways in which this occurs. Firstly by the increasing mismatch between different levels within the system. Adjustments, refinements, amendments and modifications will all eventually take their toll

(Scott, 2001, p188). Secondly because all social systems are complex and contain within them overlapping institutions, they intersect, making possible the transposition of elements of institutional frameworks. Thornton and Ocasio describe the mismatch of logics, or competing logics as an antecedent of change (2008, p118). As practices and values are affected by a changing environment, they become progressively decoupled from each other and normative and cultural institutional “myths” may become decoupled from organisational activities (Scott, 2001, pp191-192). Decoupling is usually interpreted in the institutional literature to signify the vitality of an institutional form; institutionalised ideas continue to have vitality for their ceremonial significance. Decoupling then has survival advantages, preserving the normative and cultural framework from coercive and other isomorphic pressures. Meyer and Rowan’s (1991, pp57-58) and Oliver’s (1992) proposition that organisations respond strategically to the environmental threats by decoupling its functions supports this idea. Decoupling is a mechanism which allows the organisation to get on with its business without being unduly troubled by accountability to its normative and cultural frameworks.

Decoupling, however, can be viewed also as a *possible* antecedent of deinstitutionalisation. The separation of the frameworks of institutionalised ideas may signify that change will happen at one level, for example, the regulative, and that subsequently it will be reflected in the deinstitutionalisation and reinstitutionalisation of ideas at all levels into a new form. So, for example, an organisation founded on community development ideas, which prioritises the well-being of its clients, may find itself subtly influenced by the requirements of efficiency and productivity, to gradually change its work practices and relationships with clients (McDonald, 1999). As one set of institutional logics fades away new logics are being introduced in a process of reinstitutionalisation. Old beliefs may not be totally abandoned, but the elements of old and new could be recombined in a process of *bricolage*, or the recombination of institutional elements into new forms which perpetuate older institutional elements (Campbell, 2004, p70; Scott, 2001, p192).

The processes of deinstitutionalisation and reinstitutionalisation are not simple or linear. They are influenced by both agency and path dependency. Giddens’ theory of structuration helps to break out of models of change which do not sufficiently take into account the dynamic and recursive nature of change. At the organisational level it is not only organisations being shaped by environmental change but environments which are being shaped by organisational

change (Scott, 2001, p126). Institutions and organisations as structures are reproduced by social actions, and do not exist independently of agency (Giddens, 1979, p69; W.W. Powell & Colyvas, 2008, p277; Scott, 2001, p142; Spall, 2002, p54). However, agents are not free. Campbell synthesises approaches across different institutionalist paradigms, and advances a theory of *constrained innovation* (2004). This he describes as change which results from the innovation of institutional entrepreneurs constrained by institutional process, cultural frames and cognitive beliefs (Campbell, 2004, p174). He argues that this usually results in evolutionary, rather than revolutionary, change. To support his theory he argues that path dependency, defined as a process whereby contingent events or decisions result in the establishment of institutions that persist over long periods of time and constrain the range of actor's future options, modifies the diffusion of new ideas and forms (Campbell, 2004, p65).

Path dependence can be added to legitimacy and isomorphism as an important mechanism of institutional stability. However, it is in the context of change that path dependency becomes particularly interesting. Campbell argues that when crises or critical junctures are reached, as a result of what Oliver described as the antecedents of deinstitutionalisation the phenomenon of bricolage may be observed. Institutional entrepreneurs respond to both the challenge of change, and the constraints of path dependency, by using bricolage to cobble together institutional forms and ideas to create new institutional forms which are more responsive to the new environment (2004, p70).

In this section the response of neoinstitutional theory to the challenge of accounting for institutional change has been described. In summary the change model outlines: endogenous and exogenous causes of deinstitutionalisation through political, functional and social pressures; processes by which institutional logics and practices become weakened and decoupled from organisations; the concurrent introduction of new logics and practices, which may then be reinstitutionalised through isomorphic processes of dissemination, or alternatively cobbled together in bricolage. Finally, by taking into account the more refined notion of the recursive structuration of institutions, it begins to account for the role of power and individual agency in affecting institutional change. This framework provides important concepts which are drawn upon to illuminate institutional change processes as they appear in the Inquiry.

Neoinstitutional theory and Power

Criticism of neoinstitutional failure to engage with institutional change has been discussed. In a similar way criticism has been made that the theory has not adequately engaged with questions of power. While neoinstitutionalism has been effective in identifying distinctive organisational forms and functions, it has been less effective in generating ideas about why particular kinds of forms are chosen over possible alternatives, and why organisational forms change over time in a particular direction (Brint & Karabel, 1991, p343). A major compendium of neoinstitutional thought, for example, Powell and DiMaggio's work, has six citations around power, none of them theoretically substantive (W.W. Powell & DiMaggio, 1991).

This deficiency relates to the call for neoinstitutional theory to develop its microfoundations. A focus on the cognitive roots of neoinstitutionalism may address the need to explain how ideas become institutionalised, rather than simply listing them in a taxonomy. Organisations are described within the theory as conforming to institutional forms due to mimetic, normative and coercive isomorphic processes. Oliver has pointed out however that organisations have a range of strategic responses to these pressures, which implies that organisations have certain capacities, or powers to modify the impact of these pressures. The theory does not explore how those powers may be deployed, not in what they consist. If it is accepted that institutional forms derive from institutional ideas then a study of how these ideas are modified, disseminated or resisted provides insight into power relations.

The interest of old institutionalism in power as influence within organisational structure was initially forgotten in the development of institutional legitimacy, stability and isomorphism (Lawrence, 2008, p170). Spall notes that this led to a limited dichotomous approach to power, either one of coercion or consensus (2002, pp 57,244), which results from conceptualising power as an observable commodity, rather than incorporating the postmodernist views of power as diffuse, localised and invisible (ibid). This is a significant criticism. Power in neoinstitutional theory is conceived functionally. So, for example as cited above, Oliver brings in political forces as a pressure for deinstitutionalisation.

In some respects the overdetermination of institutional forms within the theory has led to an underconceptualisation of power. In terms of the research project, which explores the discursive interrelationships of parties with different levels of political influence, this is a significant limitation to theory. Concepts of coercion or consensus will fail to fully explain

the complex processes of either the Commission Inquiry or its synthetic result, the Commission Report.

The newer focus of neoinstitutional theory on the dynamic aspects of institutional structuration calls for an understanding of power in those processes. How, for example, are institutional forms selected? What stakeholders are involved and how do they wield influence? In the Inquiry, for example, questions of power are more complex than can be contained within ideas of coercion or consensus. Certain areas of power stand out immediately; the Commissioners have power through their authority to determine the agenda, direct the questioning and discussion and make recommendations. However that power is not unlimited. The Commissioners are themselves subject to the direction of their Terms of Reference discussed in Chapter One. Although these are not intended to limit “*the scope of reference*” (Appendix One), the Terms of References specify a range of questions around government-sector relations and specify that the Commissioners “*have regard to the established economic, social, industrial relations and environmental objectives of government*” (ibid). The constraints around it raise the question of how the nonprofit sector deploys their own influence and power. Finally, what impact does the legitimacy of institutionalised logics and ideas have in weighing up power relations?

In this regard poststructuralist and postmodern ideas of power, and the concept of hegemonic power and hegemonic discourse, which was discussed in Chapter Two, introduce ideas which are more subtle and far-reaching. While it is not possible within this thesis to explore poststructuralist and postmodern theory in detail, there are a number of aspects which are relevant to this research. Firstly, that relationships of power are often unstable, ambiguous and reversible. Attempts to dominate will be met with resistance, and where successful will require further development of techniques of power (Hindess, 1996, p101). Secondly, that government is not confined to the formal structures of Government. Government, conceived as the ‘conduct of conduct’ has a wider reach. The diffusion of power through society, expressing itself through discursive competition and conflict, qualifies a vision of government and state as the centralised locus of the authority (Hindess, 1996, pp105-113). Jessop’s conception of the State, discussed in Chapter Two, as an ensemble of multifunctional institutions and organisations is also of relevance in this context. The hegemony of an idea is not established because Government expresses it. Rather its legitimacy and authority is accepted by different individuals, levels of society, class groups

and organisations. Government in this case follows rather than dictates the course taken by the idea.

Some theorists of governance support the notion of a decentred state. The governing of society is seen as no longer the prerogative of government, but is rather a dynamic activity that takes place in different institutional settings which give rise to different processes and involve different actors, such as decentered networks of quasi autonomous delivery agencies, interest organisations, private corporations, social movements, local citizen groups and transnational organisations (Torfing, 2007, pp3-4). This view of governance relations is significant in the context of this research because it emphasises the dependency which the various parties may have on each other. Government depends now on the nonprofit sector for the delivery of its programs, just as the nonprofit sector depends on government for policy coordination, funding and the public relations aspects of establishing and delivering welfare. In the context of the Inquiry this implies that the Industry Commissioners do not have unqualified power, aside from the constraints imposed upon them by the Terms of Reference. Even if the power differential is weighed in their direction the Industry Commissioners must tread with care. If they alienate the nonprofit sector then their advice will lose legitimacy.

However, there is considerable doubt that decentering the state means that it is being “hollowed out” or is “withering away”. The government retains considerable power through its metagovernance functions (Bell & Hindmoor, 2009; Torfing, 2007), which includes the development of the policy agenda through such instruments as the Industry Commission. In the context of this research the ability of the Industry Commission to shape the agenda of the Inquiry is a factor which needs to be taken into consideration when identifying the dominant rationalities, logics and ideas being expressed. Ideas which are excluded from discussion may be as important in the institutional makeup of nonprofit organisations as ideas which are accepted onto the agenda⁶.

Recently Lawrence has advanced a theory of power within the neoinstitutional framework. His model is dynamic and opposes the systematic power of institutions to control actors to the episodic power of actors to create, transform, maintain and disrupt institutions (Lawrence, 2008, p173). Of particular interest to this discussion is his typification of institutional

⁶ Further complications are the power relations and divergent rationalities that may be at play between the Commissioners themselves. Some of this diversity emerges as the transcripts are analysed.

resistance as resisting discipline (enclosure and surveillance); resisting domination and resisting institutional agency (ibid, pp179-187). His view of power within the institutional process opens up the manifold ways in which resistance can be expressed. Although Lawrence frames resistance as the resistance of actors to internal change agency within organisations, the principle of resistance applies also to the circumstance of the Inquiry. The Inquiry can be framed as a form of political pressure applied exogenously to an institutional field. While it intersects with the institutional logics and rationalities of managers who share the managerial logic, there are others who reject the managerial logic. That is, that the nonprofit sector has agents within it who welcome the application of managerial standards, and others who apply their ideas in resistance to a managerial logic. This study will explore instances of resistance and their effect within the Inquiry process.

The focus of institutional theory on legitimacy goes some way to addressing the absence of a developed theory of power within it. The ability of the Commissioners to shape the Inquiry is to some extent balanced by the fact that the nonprofit representatives can claim some legitimacy due to institutional forms, and for this reason their ideas cannot be simply dismissed.

The various ways in which power relationships can be problematised, as described above, complicate the perception of institutional processes when institutions are divorced from those who enact them. However, they are essential if agency and change are to be properly understood. Applied to the Inquiry process they enhance understanding of how institutional forms are contested and resolved.

Why neoinstitutional theory?

This research project continues the work of other neoinstitutionalists to lay foundations for an institutional understanding of the nonprofit community welfare sector in Australia, and to determine some of the dimensions by which to measure institutional change. A heuristic was adopted to guide the choice of theory, providing explanatory frameworks across: firstly, a structural dimension, that is the changing roles of government and nonprofit sector in the mixed economy of welfare; secondly, an action oriented dimension around organisational behaviour confronted with change and thirdly, an ideological dimension, that is, the normative and cultural frameworks of ideas which are in play during institutional change. While economic and political theories can provide explanations across one or more of these

dimensions, neoinstitutional theory provides a repertoire of theory to cover all these dimensions.

Firstly, neoinstitutional theory has a developed theoretical approach to institutional stability through legitimacy and isomorphic processes. The institutional change process being explored in this research, which may eventually impact on the roles of government and nonprofit sector in the mixed economy of welfare, takes place against a backdrop of institutional stability. That is to say, the role of the nonprofit sector as a provider of welfare services is legitimated through community and government acceptance of an institutional logic. Institutional legitimacy therefore becomes a core explanatory principle when considering the relative roles of government and nonprofit sector in the mixed economy of welfare and has as further role to play in power relationships as demonstrated by the Inquiry. Secondly, neoinstitutional theory has expanded to address the behaviour of organisations under conditions of institutional change. This includes identifying the antecedents of deinstitutionalisation (political, social and functional pressures) and the processes of deinstitutionalisation and reinstitutionalisation. This focus provides insight into relationships of power and agency, including the resistance of representatives of the nonprofit organisations in the Inquiry process. The capacity of neoinstitutional theory to identify both formative and change processes makes it appropriate in a study which is seeking to identify the impacts of these change processes on the nonprofit sector. While some potential weaknesses have been identified, notably in the conceptualisation of power in institutional processes, the application of poststructuralist and neomarxist ideas will provide theoretical supports. Thirdly, the cognitive foundations of neoinstitutional theory have been explored and their development into a range of sub-theories which help explain institutional formation, maintenance and change. The roots of neoinstitutionalism in cognitive theory make it sensitive to how logics and ideas create, maintain and change institutions. Through *reciprocal typifications* accepted and legitimated by stakeholders, ideas achieve a stake in social structure and functioning.

Neoinstitutional theory demonstrates a capacity to interpret and explain both institutional stability and change across dimensions of ideas, organisational agency and structural role. This makes it a powerful theory to support analysis of the complex processes of the Inquiry to determine their relevance to a hypothetical institutional change process

In the succeeding chapter a methodological framework of analysis will be developed derived from the theoretical work of W. Scott discussed above to support analysis of the discursive contestation of the Inquiry. An integrative framework developed from his work has been described which identifies the functionality of institutionalised ideas. Using this framework, institutionalised ideas of the nonprofit sector will be identified and ascribed meaning as normative, cultural-cognitive or regulative. Their role in determining the legitimacy of the institutional orders of the sector will be determined, and the relationship which that legitimacy has to power relations will also be traced. It then becomes possible to trace the discursive collision of those ideas and their impact on the final synthetic report.

Chapter Five

Methodology

Outline of chapter

A range of economic and political theories were reviewed in the previous chapters. Although many of the theories contribute important insights into the origins and developments in the sector, it was argued that neoinstitutional theory presents an approach that is more comprehensive. Its flexibility across a range of dimensions which are important in considering institutional structure, stability and change, make it an appropriate choice for theory to underpin the aims of this research project. In recent years, neoinstitutional theory has been blended with a range of other theoretical approaches, including discourse analysis (Phillips & Malhotra, 2008). In line with these developments a methodology of research is developed in this chapter which articulates and blends neoinstitutional theory and textual analysis.

In outlining the methodology of this research the simple schematic outlined by Yin will be followed. He concisely describes the research process as “*an action plan for getting from here to there*, where *here* may be defined as the initial set of questions to be answered, and *there* is some set of conclusions (answers) about these questions” (1994, p19). Yin cites four key steps in developing the research methodology, and they will be used to structure this chapter (ibid, p20). Yin’s four steps in developing research design are: firstly, to decide what questions to study; secondly, what data is relevant (or what is the unit of analysis); thirdly, what data to collect, and fourthly and finally, how to analyse the results or logic linking the data to propositions and the criteria for interpreting the findings (ibid).

Following this schematic in this chapter, in the first place the research question will be examined from the perspective of its underlying epistemology and neoinstitutional theory. This will be followed by a review of the unit of analysis and the corpus of data to be examined. Two methodological processes which are employed to analyse that data, thematic and discourse analysis, will then be described. Finally the question of validation of results

will be considered, including the limitations of the methodology and the preconceptions and attitudes which the researcher brings to the analytic task.

The Research question, epistemology and neoinstitutional theory

The research question, described in the Introduction is:

“What can we learn about institutional change of the nonprofit community welfare sector from an interrogation of the 1995 Industry Commission’s Inquiry into Charitable Organisations in Australia?”

This question draws attention to institutional change as it manifests in a discursive context, that is, the Inquiry. Various ideas are promoted, negotiated and contested, manifesting in texts which result from submissions and transcripts of hearings. As soon as efforts are made to frame the research in an intelligible way, however, epistemological questions are raised. In other words how do the research questions that one is seeking to answer reflect the kind of knowledge that one is seeking? More precisely should these questions be answered within a positivist or an interpretivist epistemological framework? Do they require a quantitative or qualitative methodology? The formulation of research questions provides a way of revealing the epistemological basis of research. Neoinstitutional theory is commonly, but not necessarily, linked with positivist frameworks, as will be described below. Blending this approach with discursive analytic techniques, which are commonly linked to interpretivist and social constructivist positions, in particular draws attention to these kinds of issues.

It is unremarkable to say that ideas are cognitive and the possibility of communicating them is a result of shared understandings of their terms and constituents. Nevertheless, we cannot deduce from this that shared meanings are shared exactly, that persons have the same ideas at the same time and that their meaning exactly correspond. An epistemological perspective is required which allows recognition that the life world is constructed by the multiple ideas and thoughts of individuals, manifested in social arrangements. This perspective is offered by the social constructivist paradigm (Patton, 2002, pp96-103; Schwandt, 1998, p221) which reflects the approach of this research. The social constructivist epistemology starts from the position that meaning has a social origin and a social character (Crotty, 1998, p52) .

“...particular actors, in particular places, at particular times, fashion meaning out of events and phenomena through prolonged, complex processes of social interaction involving history, language, and action” (Schwandt, 1998, pp221-222).

By being embedded in social institutions people are born into or gain access to the keys to understand the objects, mores and languages of those institutions. Their realities are expressible in a variety of symbol and language systems, which acquire an instrumental and practical use in theory building and knowledge making (Crotty, 1998, p52). Social constructivism’s emphasis is therefore on the collective generation of meaning rather than on the meaning making activity of the individual mind (Crotty, 1998, p58; Lincoln and Guba cited in Schwandt, 1998, pp., pp243-244, pp243-244).

The institutional forms of the nonprofit community welfare sector, and in particular institutionalised ideas and the orders of discourse around it, are a social construction in this sense. They are generated collectively not only by the nonprofit sector, but by community more generally, and represented in a symbolic fashion through adherence to various symbolic and ideological frameworks. This implies a plurality of views about the nonprofit sector, which have already been encountered in Chapter Three, where various approaches to the theory of the sector were reviewed. The purposes and aims of the nonprofit welfare sector can be construed, for example, in purely instrumental terms, as the organisational delivery of welfare programs, or from the perspective of the individual and his or her needs, a perspective that requires empathy and a recognition of individual identity and dignity, before the fulfilment of the aims and purposes of those welfare programs.

The social constructivist paradigm is therefore congruent with the aims of this research, however its congruence with neoinstitutional theory requires some elaboration. While the majority of applications of neoinstitutional theory lean towards a positivist approach (McDonald, 1997, p78; Spall, 2002, p87) there is nothing inherently within the theory which dictates this. McDonald, in fact, illustrated a wide diversity of methodological strategies which have been applied (McDonald, 1997, p79) and Spall quoting Tolbert and Zucker, themselves distinguished neoinstitutionalists, reported that :

“There is very little consensus on the definition of key concepts, measures or methods within this theoretic tradition. Studies have relied on a variety of techniques....”
(2002, p87)

Rather, the concern of neoinstitutional theory with the ideological foundation of institutions opens it up to the techniques and approaches of constructivism. The debt which neoinstitutionalist theory owes to Garfinkel, ethnomethodology, Berger and Luckmann in developing the microfoundations of theory which was described in Chapter Three, emphasises the cognitive aspects of the theory.

Phillips and Malhotra have argued that the emphasis on cognitive structures within neoinstitutionalism lead naturally to a social constructivist epistemology, and critique the positivist approach to the study of institutional effects and isomorphism (2008). They claim that this approach has robbed neoinstitutional theory of a rich source of theory available through social constructivism which can contribute to the development of the micro-foundations of the theory. They cite Zucker in support of their view that neoinstitutional theory needs to return to its roots in its exploration of cognitive structures. In the early 90s Zucker expressed the fear that without a solid microlevel foundation, neoinstitutional theory would develop a taxonomy of institutional forms without contributing to an explanation of their evolution (Phillips & Malhotra, 2008, p703). They argue that institutions are not just social constructions but social constructions constituted through meaningful interaction, that is, through discourse, and they report a strong interest in discourse analysis that has emerged among neoinstitutional theorists due to a shift in interest from understanding isomorphic processes to a study of institutional change (ibid, p713).

Neoinstitutional theory has the flexible potential to move from a largely positivist and quantitative longitudinal study of institutional structures and organisations (Scott, Ruef, Mendel, & Caronna, 2000) to qualitative studies of institutional rationalities. Townley, for example has applied a qualitative framework to the study of rationalities in Canadian Museums (Townley, 2002), while Scott et al, have applied a positivist epistemology and quantitative methodologies to explore change in the institutional field of hospitals on the west coast of the USA (2000). In this sense neoinstitutional theory is a metatheory or collection of theories which span epistemologies. Rather than a specific epistemology and methodology being adopted *a priori*, it is the field of research which determines the appropriate

epistemology and methodology. The capacity of neoinstitutional theory to take on a social constructivist epistemology, therefore, supports its appropriateness as a theoretical framework for this research.

Lines of inquiry

Once the epistemological framework and research question have been determined, Yin recommends its refinement through the development of more specific propositions. These serve to structure the data collection plan and the choice of methodology (Yin, 1994, pp103-104).

The central research question, described above, draws attention to institutional change as it manifests in a discursive context. What can be learnt from the Inquiry process occurs within a context of discussion, agreement and dissent. Ideas are negotiated and contested in the process of the Inquiry, manifesting in texts which result from submissions and transcripts of hearings, and the final Report. Discursive elements emerge which are relevant to neoinstitutional theory. Meyer and Rowan have identified institutionalised ideas, which they describe as “institutional myths” as being important in determining institutional stability. (1991). Oliver also noted that deinstitutionalisation occurs when these myths and other institutional elements are eroded or discontinued (1992,p564). Institutional logics, rationalities and ideas are therefore core institutional elements whether institutional stability or institutional change is being explored.

What can be learnt from the Inquiry involves understanding how institutional ideas are deployed and comprehended by actors involved in the Inquiry process. This suggests certain lines of inquiry. The first is to identify those institutional ideas which contribute to the stability of the institutional order of the nonprofit community welfare sector. The second is to identify how those ideas are changed or maintained as they intersect with the discourse of managerialism as it manifests in the Inquiry process, anticipating that there will be some degree of contestation. The objects of inquiry are therefore institutionalised ideas as they manifest within a discursive event. These lines of inquiry will be returned to below as the methodologies of thematic and discourse analyses are described.

What data is relevant? The unit of analysis and the corpus of data

The next step in Yin's schematic (1994, pp 20 & 106) is to determine the unit of analysis and the corpus of data to be interrogated. The research question and associated propositions have suggested that the objects of inquiry of this project are ideas, and specifically ideas which have achieved institutional status and are taken-for-granted. The unit of analysis is therefore the institutionalised idea. This was defined in the last chapter as:

A distinguishable unit of cognition which has been legitimated through institutional processes and is deployed across normative, cultural-cognitive and regulative institutional pillars.

To explain the types of ideas and the roles which they play a typology drawn from Scott's three pillars of institutions will be applied. This describes institutionalised ideas as:

- normative, that is representing the moral root of organisations and carried by values norms, and roles or conceptions of appropriate goals and activities;
- cultural-cognitive referring to the shared conceptions that frame the meanings which are attributed to social reality and which are the basis for the taken-for-granted nature of institutions by which it becomes, for example, unthinkable to do things differently, or
- regulative, referring to rule-setting, monitoring and sanctioning activities (Scott, 2001, p52) and carried by rules and laws, governance systems and protocols (ibid, p77).

The corpus of data was made up of texts drawn from the nine volumes of the Industry Commission Inquiry into Charitable Organisations and the final Report final Inquiry Report, "*Charitable Organisations in Australia*" (1995a).

In Chapter One it was noted that the number of documents was large. 443 organisations submitted responses to the Inquiry and 156 of these were interviewed by the Commissioners (Industry Commission, 1995a, p29). The Terms of Reference of the Inquiry targeted organisations that were charitable or benevolent in the field of welfare services including income support and provision of clothing, goods and food; community services such as care in people in people's homes and hostels; nursing and convalescent homes; employment and

training services for the unemployed and people with disabilities; advocacy, referral counselling and legal services and emergency and development assistance overseas. The majority of organisations which responded came from within this range of organisations (see Appendix One).

In February 1994, the Industry Commission produced an issues paper (Industry Commission, 1994b). The paper served as an invitation to provide a submission, however it was “*not meant to limit the issues that can be raised in submissions or by the inquiry itself*” (ibid, p2). Some of the issues were of general interest to nonprofit organisations such as the definition of a charity; the tax treatment of donations; the role of volunteers; regulation and fundraising. However the majority of issues raised were of particular interest to the sector which delivers welfare services to the disadvantaged. These included: the size of this sector and the nature of services produced for disadvantaged people; the funding of the sector by government; the relationship of government priorities to service delivery and the development of a partnership, including the role of peak bodies; fundraising, business ventures and charging clients for services; accountability and the measurement of performance, industrial agreements and finally overseas aid (Industry Commission, 1994b). Having submitted, participants were invited to attend two rounds of public hearings to be held in each capital city and some country centres. The informal nature of these hearings was stressed (ibid, pp1-2), and the format of the hearing interviews was simple. Organisations were generally invited to make a general presentation around their submissions and some of their most important concerns. Commissioners would then ask specific questions which frequently followed the lines suggested by the initial presentation. The interviews varied in length, and on occasions Commissioners allowed considerable time in their discussions. In the selected sample this was particularly noticeable with VCOSS who had prepared an in-depth survey of the nonprofit sector in that state (Industry Commission, 1995b, VCOSS, pp1032-1062). Out of the texts generated, the research challenge was to determine a sample size which would reflect the most representative views of the sector of nonprofit welfare providers. A purposive sampling process was applied (Rubin & Babbie, 2008, p342) in order to draw on a range of representative organisations and to maximize the information that could be extracted from a restricted sample. This process had three steps:

Firstly, using existing and widely respected national and international classificatory schemes of the nonprofit sector a taxonomy of 12 general categories of nonprofit organisation were generated (see Appendix Two). These were then refined in relation to the types of organisations which were referred to in the Terms of Reference of the Inquiry as described above (Industry Commission, 1995a). The organisations chosen fell within six of the 12 categories, that is, Health, Social Services, Law, Advocacy and Politics and International activities. As the focus of this research is on organisations providing services within Australia, organisations in the category of International activities were excluded. Secondly, additional analysis of the Inquiry's *Issues paper* (Industry Commission, 1994b) revealed that there were a number of issues which were considered to be most significant from the Commissioners' perspective. These issues provided an additional range of variables. These were around: peak organisations; representation of ethnic and community groups; conduct of commercial activities; the urban-regional divide, and the size of organisations. With these additional variables a matrix was developed to identify the distribution of the types of services which responded (see Appendix Two). Although the Commissioners had made reference to ethnic organisations representation was low only two responded and these were included in the final sample group (McGregor-Lowndes, McDonald, & Flack, 1994).

The third step involved some judgement on the quality of documents. Some documents restricted themselves to providing descriptive information about their services, or described problems which were entirely local to their service area. As this research is attempting to identify ideas across the nonprofit welfare sector such descriptions did not provide sufficient data to warrant inclusion. The final selection was therefore based upon two criteria to assist judgemental decision-making:

1. The focus of the initial submission was on wider sectoral issues rather than issues which were pertinent only to the operations of that service, and
2. Initial submissions expressed opinions rather than being merely descriptive of the service.

46 documents were chosen for analysis and are displayed in the final matrix in Appendix Two. These included a range of large charities such as the Benevolent Society of NSW; smaller community based organisations such as the Sydney City Mission; peak bodies such as the Australian Council of Social Services and organisations based in rural and regional areas such as the Illawarra Forum.

Methodology

With the corpus of data selected the analytic tools which addressed the lines of inquiry of the research question were chosen. The research objects, which are institutionalised ideas reflected in the texts of the Inquiry, suggested that the analytic methodology would need to engage with techniques of textual analysis. The two lines of inquiry identified above require subtly different approaches. The methodology had to be sufficient firstly to identify institutionalised ideas. For these tasks thematic analysis was used. The second line of inquiry was to identify how those ideas are changed or maintained as they intersect with the discourse of managerialism as it manifests in the Inquiry process, anticipating that there would be some degree of contestation. The methodology chosen would need to be sufficient to interrogate the discursive nature of their contestation. Analytical strategies derived from discourse analysis were drawn upon for this purpose. To explain why a blended approach was appropriate the purposes of thematic analysis and discourse analysis are briefly explored. The strength of thematic analysis is that it is can take a large amount of text and reduce it to manageable code. Boyatzis describes it as a way of seeing patterns in information which may appear initially random, and of systematically observing a person, interaction, group or situation (1998, pp1-4). Each transcript of proceedings interrogated was different as none followed a set path of questioning. The themes of inquiry were therefore not immediately evident. Thematic analysis allows a code to be developed which draws both inductively and deductively from theory and data (Boyatzis, 1998, p29). Fairclough has recommended as a preliminary step to discourse analysis firstly identifying the main themes that are represented, however does not supply a specific methodology to do so in a rigorous fashion (Fairclough, 2003, p129). Thematic analysis filled this gap.

Thematic analysis is typically used at the beginning of the data analysis process to make sense of data (Boyatzis, 1998, p5) and is suited to the identification of institutionalised ideas. However, it is not ideally suited to identifying and analysing a discursive process such as the contestation of ideas observed in the Inquiry. This requires analytic tools which are sensitive to discursive processes which, for this purpose, are drawn from discourse analysis.

In adopting discourse analytical tools, however, it is acknowledged that the field is neither simple nor unified. The notions of text and discourse are subject to a wide range of

understandings and usages, ranging from high-level critical paradigms to microlevel linguistic analysis. (Wodak & Krzyzanowski, 2008, p10). Phillips and Malhotra, define discourse in general terms as “*an interrelated set of texts and the associated practices of production, dissemination, and reception that bring an object into being*” (2008, p712). Texts are the discursive ‘unit’ and a material manifestation of discourse (ibid). The object of discourse may be a concrete object, such as a city plan, but it may also be a social construction such as the framework of institutionalised ideas which underpin decision-making and action in the nonprofit sector. A discursive analysis of texts is partly concerned with identifying which discourses are drawn upon, and how they are articulated together. Fairclough makes the point that it is possible to see the evidence of a discourse in the use of a single word within a text (2003, p128). This point is important to the present enquiry where discourses are mixed in the processes of writing and reading submissions, and of questioning and answering. Here a discourse may make itself apparent in a sudden question or an unpremeditated response. Tools developed within the tradition of discourse analysis are drawn upon to identify such moments.

In summary, therefore, thematic analysis is considered of most relevance to the first line of inquiry to identify institutionalised ideas and selected tools of discourse analysis to analysing the discursive processes and contestation of the Inquiry.

Thematic analysis

Thematic analysis constitutes the first part of the methodology of this research. It is built up from the process developed by Boyatzis (1998), and the constant comparative method of Maykut and Morehouse (1994, pp126-149), both of which have drawn from the work of Glaser and Strauss on grounded theory (Bryman, 1988, p83). Boyatzis describes a thematic analysis as being conducted in three stages (1998, p29). The first stage involves the perception of patterns in a mass of data (1998, pp7,32), which Boyatzis describes as the “sensing” of themes, or the recognition of a codable moment (ibid, p11). Both inductive and deductive processes can be used to develop the thematic framework (Boyatzis, 1998, pp29-31) and in this research it was considered important to adopt a deductive-inductive cycle to enhance claims of validity and reliability, a claim which will be developed below.

The deductive approach is appropriate for two reasons. Firstly it provides the initial scaffolding for codes which are then developed, drawing from the textual evidence. Secondly, it supports the internal validity of findings as will be described below. Boyatzis recommends the literature and contextual review as sources of deductively derived or theory-driven codes (1998, pp33-37). In this research project economic, political and sociological nonprofit theory described in Chapter Three can be drawn upon to provide initial patterns or codes. The danger of theory driven codes, however, is that they may blind the researcher to alternative meanings (Boyatzis, 1998, p35). This can be guarded against by the application of a deductive-inductive cycle (Babbie, 2004, pp24-25). The inductive phase of analysis drew on ideas expressed in the submissions and transcripts of hearings. This data-driven code (Boyatzis, 1998, p30) then provides a check, contradiction or affirmation of the validity of the identified themes in this research moment (Boyatzis, 1998, pp11,29).

Codes were developed in this research using a constant comparative method (Marston, 2001, p91; Maykut & Morehouse, 1994, p134; Silverman, 1993, pp126-149). This method is essentially one in which existing codes are compared with the data being reviewed. If the material cannot be included under that code then a new code is formed. This process results in a more thorough analysis of material and is a protection against arbitrary choice. A principle of “saturation” is followed. In grounded theory, this is described as the gathering of research categories until it becomes obvious that a further search for categories is redundant (Bryman, 1988, p84).

The selected documents were scanned into the software NVivo©, a qualitative data analysis program which allows the development and manipulation of coding (described in that system as nodes). NVivo is a flexible software program and was used in this research principally to identify and flag themes. Each substantive paragraph of transcripts and submissions were coded for their principal ideas into *theme documents*, for example ‘*altruism*’, ‘*accountability*’ or ‘*competition*’. These documents incorporated passages taken from the sample documents which bore on these themes.

However, the development of theme documents is only a preliminary step. The real work of interpretation occurs as those documents are perused systematically and linkages, similarities and discontinuities identified. Researchers adopting a constructivist research lens will not be

satisfied with the classification, categorisation and coding of data (Marston, 2001, p80).

Analysis is also concerned with the representation of social phenomena, and implies an active interpretative role by the researcher. Because the Inquiry is a discursive process selected tools of discourse analysis are extremely useful in making sense of the social phenomenon of the Inquiry.

Discourse Analysis

Applying neoinstitutional theory to a discursive analysis may, initially, appear surprising. The focus of neoinstitutional theory on institutional stability, persistence and change has led to a major focus on institutional forms and the organisations which come out of those forms. This has often been accompanied by a positivist focus. However, it has been proposed that neoinstitutional theory, although having a strong bias towards positivist methodology, is nevertheless a meta-theory which can incorporate a range of approaches, and it has been argued that it can accommodate constructivist epistemology, and qualitative methodologies. As described above, recent neoinstitutional writing has supported this assertion. An important article which sparked interest in discursive effects in institutionalisation was contributed by Phillips, Lawrence and Hardy in 2004 (2004). Its essential argument is that *“it is not action per se that provides the basis of institutionalization but, rather the texts that describe and communicate those actions”* (ibid, p635).

Phillips et al support the proposal above with a developed argument that texts produced by significant actors (those who have a legitimate right to speak, who have resource power or formal authority) are legitimated and become the vehicle for institutional change.

Understanding how those texts work across institutional fields therefore provides a tool for the understanding of the microprocesses which produce and maintain institutions (ibid, p635). Thematic analysis is not suited to the analysis of discursive contestation. The development of codes will support the identification of ideas, but the processes by which those ideas are traded, negotiated and disputed cannot be captured with this method.

Discourse analysis, however, has developed a wide range of tools which can be applied textually and from the discourse analytic model certain concepts and ideas are of particular relevance in the context of this research. The elements of the methodology which are particularly relevant are: *Recontextualisation* and *Grammar*. *Genre type* is another conceptual tool which will be addressed below in the context of a limitation of research.

Recontextualisation

Recontextualisation is the process by which social events are incorporated into other social events (Fairclough, 2003, p139). Fairclough describes the elements of recontextualisation as: noting which elements of events are present or absent, prominent or backgrounded; the degree of abstraction or generalisation made from concrete events; the arrangement or ordering of events, and additions made to explain and legitimise through reasons, causes, purposes and evaluations (Fairclough, 2003, p139). Van Leeuwen adds to this the deletion of elements, which while emphasising the concept of absence and presence, focuses on the purposive exclusion of elements (van Leeuwen, 1993, p204).

In the context of the Inquiry, recontextualisation draws attention to the processes of arrangement and rearrangement; adding and deleting, and abstracting the stories and concrete examples provided by the respondents to the Inquiry into the form of the final Report. It includes not only what is present in the text (relations *in praesentia*) but significant absences, what has not been spoken (relations *in absentia*) reflecting the notion of the deletion and additions of elements identified above (Fairclough, 2003, p26).

Grammar

Discourse analysis at the level of texts is concerned with microanalysis of internal semantic relations within the text. It includes the relations between words, elements of clauses, between clauses and sentences and over larger stretches of text (Fairclough, 2003, p26). Thematic analysis does not require this level of microanalysis. However, the analysis of discursive contestation within the Inquiry process requires a tool which is sensitive to the manipulation of discourse for intended effect. This is especially important in the case of the Inquiry, because, as will be discussed below the contestation is muted. Both Commissioners and sector representatives expressed ideas to convince and persuade, and in the process deployed a range of discursive strategies. The identification of these strategies was facilitated by using a toolbox of grammatical and semantic ideas identified by Fairclough (2003, pp129-133). The first concept to note is that words take on different meanings depending on context. For example, the institutionalised idea of 'altruism' will take on different connotations depending on the person who is using it and the context in which it is being used. Secondly, synonyms, or the substitution of one word for another can mask its more unpalatable aspects. In the Inquiry this was noticeable in the use of 'Contestability' for 'Competition'. Hyponyms were also evident. This grammatical term represents the

absorption of meanings into a word which does not originally include them. Another way of describing this is to say that alternative meanings are subsumed so that they become linked. An example provided by Fairclough is of the hyponymic subsumption of 'economic progress' into 'globalisation' allowing globalisation to appear as an essential element of economic progress. In the present study a significant hyponym was identified which subsumed the idea of providing an individualised service to clients with the concept of 'quality management'. A final grammatical feature is collocations, or adjectival/ adverbial -noun relations which go together to represent particular qualities, for example the kinds of words which get associated with "nonprofit", such as "charitable" or "community-based". Collocations that become taken-for-granted, or institutionalised, influence how they are perceived (Fairclough, 2003, pp129-133)

Interpretation and Analysis

The fourth and final stage of research, pursuing Yin's schematic, is to analyse the results linking the data to the criteria for interpreting the findings (1994, p20). The analysis consists of identification of themes and then the close reading of texts to determine what is happening in those discursive contexts.

In this work the initial framework was provided from political, social and economic theory of the nonprofit sector, and also by the neoinstitutional framework of Scott's three pillars of institutions, which provided a stabilising framework for the location of ideas as institutional elements. This framework provided the initial deductive or theory-driven codes which became theme documents incorporating passages from the transcripts and submissions. However, as texts were read and coded, further themes emerged in the deductive process (Patton, 2002, p436). Using the constant comparative method exceptions and discontinuities were identified which led to a body of codes which went beyond the initial theoretical framework. This body of work was then submitted to close reading and the selective application of techniques of discourse analysis to draw out what was happening at moments when ideas were contested. The interpretative act in qualitative research requires the researcher to move between the data and theory to develop their own perspective or understanding (Patton, 2002, p477). Schelcty and Noblit have suggested that interpretation may take one of three forms: to confirm what we know; to disabuse us of misconceptions, and to illuminate important things that we did not know but should know (cited in Patton,

2002, p480). It is inevitably subjective and informed by the researcher's position and understanding, the lens through which they observe the data, however while this work is subjectively based it must also resonate with the reader as plausible and trustworthy. These issues will be addressed below, but as a preliminary step some limitations of enquiry will be described.

Considerations of limitations of text and genre

The framework of textual analysis discussed above is affected by a number of limitations. Texts are not always straightforward. Skinner distinguishes at least three kinds of meaning which can be determined in reading a text. The first is to ask what words or sentences mean in a specific text (2002, p91), that is, the literal meaning of the text utilising standard definitions of the words. Even in this simple understanding of meaning, however, Skinner notes the poststructural arguments which make such an idealisation of meaning problematic. Words tend to float free, and citing Derrida, Skinner notes that they lack objective meaning (Skinner, 2002, pp91-92). The second sense of meaning is the meaning which the text has to the reader (Skinner, 2002, p92). This kind of meaning is, of course, also more accessible, as we are both creators and interpreters of meaning in this sense. Finally there is the meaning which the author of the text intended (Skinner, 2002, p93), an arena of dispute, especially if the author is no longer available to question. The illocutionary intention which the author had, or what they intended by the communication act (Skinner, 2002, p98), may differ from the perlocutionary effects, or what was experienced by the person communicated to (Skinner, 2002, p99). They may for example misunderstand a warning and be inappropriately amused by it. So, in seeking to determine normative and cultural ideas held by the representatives of nonprofit organisations and alternatively the Commissioners, there are or will be some important constraints or limitations. Firstly, that the words used to convey ideas may carry different meanings. This effect was noted above in relation to the toolbox of discourse analysis. Secondly, as Skinner also notes, the meaning of an normative term may differ, not only diachronically or across the historical spectrum, but synchronically, that is at the same time across societies and individuals (Skinner, 2002, pp175-187, particularly p182). When we talk about "*Altruism*" for example, we cannot be sure that the speakers and respondents are referring to the same term.

Secondly, a further limitation to consider is how important, in reality, are ideas in determining action and behaviour. What this means is that the ideas which are expressed as being central to values or guiding decision-making could be used for strategic purposes only. In actuality, when it comes to directing activities in organisations and making decisions, a different set of rationalities may prevail. This doubt is all the more potent because of the power imbalances which will be discussed below in the noting the genre form of the Inquiry. So, to treat texts as self-sufficient objects of inquiry is problematic. To understand a text we must be able not only to give an account of the meaning of what was said, but also of what the writer or speaker may have meant by saying what was said. A study that focuses exclusively on what a writer said may actually be misleading (Skinner, 2002, p79). The use of irony is a clear example of the difficulties which a literalist reading would entail (Skinner, 2002, p80). The context of the Commission of Inquiry suggests that both governmental agencies and nonprofit organisations may hedge their stated beliefs in an attempt to influence proceedings. While subscribing to ideas and rationalities which they perceive as being at odds with the aims of the Commission, such as independence and diversity, they may disguise them with a stated commitment to managerialist rationalities which they see as being in favour with the Commissioners. On the other hand the Commissioners may subscribe to what they see as the values of the community sector in order to draw out information which they need to more effectively pursue the agenda of their Terms of Reference. In short, ideas may have strategic functions. People may express things not because they believe them, but because there is a strategic reason to do so. It cannot be assumed therefore that ideas expressed in the context of an Inquiry are ideas which are dominant in management practice on the ground in nonprofit organisations.

These are important limitations of this study. In seeking to identify the normative and cultural-cognitive ideas which underlie agency in the nonprofit sector, how can the researcher be sure that these are truly what people believe? There are two answers to this question. The first appears tautological; if they are uttered then they must have some meaning. Skinner takes the position that in the case of a serious utterance we can never be sure of what was meant unless we also take into account what they were doing when they were saying it (Skinner, 2002, p82). Therefore even if the ideas are deployed strategically for a purpose of positioning the sector in a certain way, the fact that the ideas are deployed is in itself evidence that they have some kind of significance and meaningfulness for the community welfare

sector. Secondly, while there continues to be a danger that people may have self-interested reasons for providing a deliberately partial or misleading account of their actions, Bell and Hindmoor note that if people adopt a language for essentially strategic reasons that language may eventually come to constrain their actions. They suggest that “(e)ven if everyone in a room believes that everyone else is using language strategically, the ideas embedded within that language may nevertheless affect people’s behaviour” (2009, p155). So, for example, a politician who consistently uses the language of community engagement in consultation around policy development will find it difficult to ignore or dismiss requests for consultation. To avoid the appearance of dishonesty or insincerity such a politician will need to act in line with public statements (ibid). In this sense the normative and cultural ideas as stated by representatives of nonprofit organisations and as accepted by the Commissioners within the inquiry, become a legitimated ideological framework that must be taken into account in the development of policy options.

Nevertheless, if we accept at face value what nonprofit organisations are saying about their ideas, how can we generalise them to the sector as a whole? The answer, of course, is that we cannot. However, there are three strategies which help to validate these ideas. The first has been noted above as a consequence of applying a deductive-inductive strategy. Some of the ideas will already have been identified in the literature explored in Chapter Three, as being ideas considered by many as constitutive of the sector. Secondly, a broad reach of organisations can be reached through an adequate sampling strategy as described above. Finally, the limits of the research can be clearly defined. These strategies will be returned to below.

Genre form

Genre as it is used in this research is an idea derived from discourse analysis. Fairclough, for example, defines genre as “*the specifically discoursal aspect of ways of acting and interacting in the course of social events*” (Fairclough, 2003, p65). The genre type of the Commission of Inquiry is of a form that makes the respondents reply in a manner that is both predictable and manageable:

1. An invitation of submit a point of view, which follows a format determined by the Commission;

2. The possibility of a hearing with the Commissioner in which the questions to be answered will in large part be determined by the Commissioner;
3. The potential to have your hearing response and initial submission recorded in the Volumes of the Commission for the perusal of interested people and scholars;
4. The recontextualisation of the submissions and hearings into a Report that distils the findings as processed by the Commissioners and their staff. These constitute the texts to be analysed.

It has been noted that the relationship of Commissioners to Community sector organisations means that the agenda is controlled and managed one-sidedly. In this process the agenda, the direction of questioning and the length of dialogue are determined by the Commissioners. As a social relationship, the Commissioners are clearly in command and nonprofit respondents are expected to comply. So, for example, one group of respondents tried to introduce a topic which was outside of the Commissioners agenda, and although they were allowed to talk, they were firmly told that this issue was not one which would be taken up (Industry Commission, 1995b, North and West Melbourne Community Action Group). Organisations have a better chance of influencing the agenda, firstly if they engage with the agenda interests of the Commissioners, and secondly if they have established legitimacy. It is notable, for example that VCOSS is invited to present at length because they establish their ability to contribute to the Inquiry format.

An aspect of the Inquiry which is very important in terms of deciding the levels of contestation of ideas is that the social relationship is structured against overt contest. Firstly, the time is rationed, although if they choose to the Commissioners can allow generous time limits. There is no appeal or revisiting of issues, although sometimes specific questions are referred to further inquiry outside of the proceedings. Secondly, confrontation is avoided on both sides. For example, in one session discussed in Chapter Eight where ideas were being strongly expressed on both sides around tax deductibility and the discussion appeared to become quite impassioned, the Commissioner turned the conversation and defused the issue.

One of the potential consequences of these limitations is that the ambiguity around ideas which was expressed above is enhanced. Ideas may be hedged and phrased in ways which make them acceptable. Secondly, there is the possibility that ideas which are radical or likely to alienate the Commissioners are not expressed. At the same time, for the purposes of this

research, this is a strength. Idiosyncratic ideas will be excluded by the process. Those ideas which get to be acknowledged by the Commissioners can reliably be considered as mainstream. This ambiguity is identified below as a potential research error, *selective observation*, to be addressed in the application of the method.

The second limitation is a consequence of the recontextualisation processes. The editing capacity of the Commissioners reflects the weight of power on their side to filter ideas and expressions selectively (Fairclough, 2003, p139). The recontextualisation of ideas, which is the necessary result of the editing of the Report, may background ideas which are important to the nonprofit sector. The methodological strategy of constant comparison, as discussed below, however, will ensure that they will be captured in thematic analysis of the texts of submissions and hearings.

Validation of results

The limitations described above impact on the truthfulness of the findings of this research. In general terms, issues of validity, reliability and generalisability of research findings are raised in both quantitative and qualitative research. While it may be correct to say that the terms have their grounding in quantitative research, logical empiricism and positivism, they are nevertheless relevant within a qualitative context, which must demonstrate a framework of rigour which is convincing to others (Marston, 2001, p92; Patton, 2002, pp92-93).

Objectivity is the essential basis for all good research and is the simultaneous realization of as much reliability and validity as possible (Kirk and Miller cited in Patton, 2002, p94).

Babbie describes reliability as the achievement of the same result repeatedly when the same technique is applied to the same object by different researchers (2004, p140). In qualitative research the use of a single researcher therefore raises a concern, because we have no certain guard against the impact of that observer's subjectivity (Babbie, 2004, p141). Likewise validity refers to the extent that a measure accurately reflects the real meaning of the concept under consideration (Babbie, 2004, p143). In quantitative research, without minimising the difficulty, the design of appropriate measures and constructs is easier than in a research situation where the lone researcher is applying subjective understandings (Patton, 2002, p14). Where quantitative research depends on careful instrument construction, in qualitative inquiry the researcher is the instrument (ibid). Generalisability also reflects a concern with

the utility of research findings (Patton, 2002, p581). Are the results relevant in other contexts? Unlike experiments, the findings of qualitative research which examines specific cases may not be easily transferable. Qualitative methods facilitate the study of issues in depth and detail which increases the depth of understanding but reduces generalisability (Patton, 2002, p14) .

Postpositivist researchers have embraced the challenge of rigour embodied in these terms and have sought to reframe these concepts so that they are meaningful in a research environment where multiple perspectives may be brought to bear on the research object (Bryman, 1988; Patton, 2002, p92). Lincoln and Guba created “trustworthiness” as an analog for “rigour”, investing the term with credibility, transferability, dependability and confirmability (Patton, 2002, p546). These terms reflect the need for rigorous methodology combined with the commitment of the researcher to the nature of qualitative inquiry (Patton, 2002, pp552-553). Patton urges the researcher to ask the questions of their own research which will convince both them and the observer that the research is meaningful. For this reason I have sought the primary errors which may result in this research and identified them as *selective observation* and *overgeneralization* (Rubin & Babbie, 2008, pp15-16).

Selective observation results when having identified an idea or a pattern the researcher looks for it and finds it everywhere (Rubin & Babbie, 2008, p16). The possibility of overlooking multiple readings of an idea, as discussed above, is an instance of selective observation. The identification of multiple examples of a coded theme, however, is one of the purposes of this research, and the error here is that other potential themes may be overlooked. This potential error however has been addressed by the use of the constant comparative method, in firstly coding every substantive paragraph of text of transcript and submission and in generating a “saturated” code. Saturation of the code was achieved by applying the code across all the samples. The NVivo software allows for the collection of all textual passages which relate to a particular theme in one document. This then makes it possible to visually compare each of the samples and to pick up textual passages which do not seem to fit, and which may represent a new or previously unidentified idea or theme. This approach also allows for the identification of variance in the use of a word. The grammatical context of a word, and in particular its “collocation” with adjectives and adverbs make possible different readings of its

meaning, and this becomes more obvious when the textual passages are brought together in the same document.

A more significant error may result from *overgeneralisation* (Rubin & Babbie, 2008, pp15-16). In seeking to determine the frameworks of ideas of the nonprofit sector there is a real temptation to claim that they are subscribed to across the sector. This issue is of particular importance in the context of the ambiguity of meaning and the diversity of ideas within the sector, as noted above.

There are four ways in which this danger can be minimised: The first is to collect all opinions on a theme whether supportive or contradictory in theme documents. This of course will not account for *absences* of opinion, however, it is possible to determine from the theme documents when an idea is mentioned many times, whether in agreement or in opposition. At the same time, variability of meaning and interpretation of an idea can be addressed by the development of thematic sub categories (sub-nodes in NVivo). The simple numeric counting of instances is a measure of its generalised use once that variability has been taken into account. The second strategy is the sampling methodology, described above, which seeks to provide a representative sample of organisations across the nonprofit welfare sector. The third strategy is to compare those ideas to the existing body of theory and ask whether this idea is widely supported in the literature. If so, then a considered judgement may be made that the idea is institutionalised and more likely to be taken-for-granted across the sector. The fourth strategy is to make an open presentation of the limitations of this study as discussed above and declare that the ideas expressed by sector representatives constitute a menu of potential ideas which may or may not be owned by nonprofit community welfare organisations.

Situating the researcher

Both selective observation and overgeneralisation are connected to the perceptual and conceptual frameworks of the researcher. Qualitative researchers have become sensitive to the ways in which their own history and ideas affect their research. The description of the qualitative researcher as a *bricoleur*, that is someone who will produce a pieced –together, close-knit set of practices that provide solutions to a problem in a concrete situation (Denzin & Lincoln, 2003, p3) also acknowledges that the researcher will affect the research environment and the findings of the research. In other words the researcher is part of the research. In this study, of course, the researcher will not affect the texts directly, but his

interpretation of them, and the potential errors of selective observation and overgeneralisation, may well reflect his presuppositions and prejudices.

After nearly twenty years working as a manager in or around the community nonprofit welfare sector, it would be unreasonable to say that the researcher does not bring significant biases to bear. I have witnessed what I would describe as the positive impact of managerial reform, notably in the deinstitutionalisation of people with intellectual disabilities, and impacts which I would describe as negative, notably the struggle of organisations not to lose their sense of direction as they subscribe to funding programs and accountability requirements developed at governmental level. As I read and analysed texts, there were expressions and criticisms which resonated with my own experiences. While I was conscious that I was not attempting a critique of managerial reform on the nonprofit sector, I remained alert to the practical implications of my findings, thinking continually of how this research may have pragmatic and practical results in sector development in responding to the challenges of managerial reform.

The application of the strategies outlined above helped to remind me that even if there was an instrumental result from the research, it could only be reached by analysis that was distanced and non-judgemental. This was particularly important in discovering that the diversity of views that were expressed not only among sector representatives, but even between the Commissioners of Inquiry themselves. This then led me to a more sophisticated understanding of the microprocesses of institutional change.

The tension between me as a researcher with an active normative and cultural engagement with the sector, and of me as the researcher learning a craft has been productive. I have learnt to subject my own insights to the same analytic framework of institutionalised and taken-for-granted ideas which I apply to texts.

Conclusion

The qualitative researcher is a *bricoleur* who brings together “pieced-together, close-knit” sets of practices to investigate problems (Denzin & Lincoln, 2003, p3). In this chapter a methodology has been outlined to investigate a research question and associated lines of inquiry which knits together a range of theoretical approaches, notably neoinstitutional theory, thematic analysis and discourse analysis.

The overall theoretical framework of neoinstitutional theory was adopted because of its flexibility and capacity to explain institutional stability and change. The research context is discursive and textual, and tools of textual analysis are required to identify the discursive elements. However, the methodology of textual analysis will need to be integrated into neoinstitutional theory in order to associate the identified themes and discursive contestation with the conceptual frameworks of deinstitutionalisation and reinstitutionalisation.

This was done by proposing two lines of inquiry which indicate subtly different approaches and different methodological tools, and then integrating them into a neoinstitutional framework. The first line of inquiry identifies the unit of analysis as institutionalised ideas. Thematic analysis is drawn upon as an ideal methodology for identifying institutionalised ideas and other themes from a mass of data. Using the constant comparative method, themes will be identified until new ideas fail to emerge. The integration of the themes and institutionalised ideas into neoinstitutional theory will be achieved using Scott's three-pillar framework. The three pillar framework ascribes to institutionalised ideas various functions: normative as in values; cultural-cognitive as in scripts for actions, and regulative, as in rules and protocols. These ideas contribute to institutional stability and changes to these ideas may signify also institutional change. Thematic analysis, however, is unsuited to the analysis of a discursive process such as the contestation of ideas observed in the Inquiry, which is the second line of inquiry. The need to understand what is happening discursively and dialectically during the Inquiry draws attention to tools of discourse analysis. The tools selected were recontextualisation, grammar and genre. Using this framework as an analytic construct will therefore facilitate the identification of institutional change processes as conceived within neoinstitutional theory.

A number of limitations of interpretation have been identified. These are around the ambiguities which may be read into various institutionalised ideas, and the strategic use of those ideas in contestation. Additionally the preconceptions of the researcher may impact also on that identification, and result in two notably errors, *selective observation* and *overgeneralisation*. Trustworthiness was assured by using the constant comparative method to collect a 'saturated' code' to address selective observation. Overgeneralisation was addressed by seeking a representative sample of texts, counting the number of times a theme

occurs; comparing identified themes with the theoretical literature and finally acknowledging that the ideas which are discovered do not exhaust the potential corpus of ideas that are possible.

The methodology described above is a synthesis of neoinstitutional and textual analysis. The chapters which follow pursue the lines of inquiry described above. In Chapter Six the institutionalised ideas of the sector are identified. In terms of the description of the process as dialectical in the introductory chapter, these ideas constitute the *thesis* of the dialectical process. Chapter Seven then analyses the discursive contestation around these ideas when they meet with managerial themes, the *antithesis* of the dialectical process. A number of discursive strategies applied by participants to the Inquiry are identified in this chapter. Finally Chapter Eight examines the *synthesis* of the dialectic, or the results of the inquiry as they were expressed in the recommendations of the Commission.

Chapter Six

Values and Ideas of the sector revealed by the Commission of Inquiry into Charitable Organisations

Introduction

It was noted in Chapter Four that a central research direction within neoinstitutional theory focuses on the role of ideas and logics in establishing the legitimacy of organisations (Greenwood, Oliver, Sahlin, et al., 2008, pp17-18). The ideas that will be identified in this chapter, employing thematic analysis, are widely accepted across the sector and by key stakeholders, reflecting their status as elements in the institutions of the nonprofit sector. Institutionalised ideas play a role in the maintenance of the institutional order, but in the context of the Inquiry they also have a discursive function, an aspect which will be elaborated in the next chapter. The focus of neoinstitutional theory on institutional forms, and more particularly Scott's elaboration of institutions into three pillars, as discussed in Chapters Four and Five, facilitates the building of a taxonomy of institutional elements, which form the foundation for an analysis of that discursive function.

An exclusive focus on taxonomies has been criticised as a potential limitation of neoinstitutional theory. Zucker, for example, expressed the fear that without considering the evolution of institutional forms, neoinstitutional theory would only develop taxonomies (cited in Phillips & Malhotra, 2008, p703). Taken in the context of the wider questions around institutional processes, however, it becomes an important preliminary to understanding institutional structure and underpins explanations which address institutional change and agency, the themes of successive chapters.

A general discussion around the significance of institutionalised ideas within a neoinstitutional framework will be followed by detailed discussion of these ideas as they emerge from the transcripts and submissions of the Inquiry. Six institutionalised ideas are identified and the significance of these ideas to the legitimacy of the sector will be discussed, in preparation for the analysis in succeeding chapters of their use in argument and discourse.

Institutionalised ideas

Many years ago Kramer argued that the “distinctive” characteristics of voluntary organisations could be described as: being flexible and adaptable, experimental and pioneering; involving voluntary citizen participation; providing individualised, personal and selective services; involving intensive relationships; providing preventative services; social change and reform, and being religious and sectarian (R. M. Kramer, 1981, p100). However, even at this period he described these characteristics as “hortatory” and stereotypical, and questioned that these differences distinguish the voluntary sector from the private sector or the public bureaucracy. Salamon echoed these findings with this description of “*the myth of pure virtue operative*” which reflects special nonprofit status (cited in Spall, 2002, p7).

Kramer’s ground breaking study of the voluntary sector was framed partly in terms of a myth-breaking project. Nevertheless, this study reveals that these ideas continue to constitute important institutionalised ideas for representatives of the sector, and are drawn upon to contest some of the ideas of managerialism which will be discussed in the next chapter. Many of the institutionalised ideas identified in the literature review and exemplified by Kramer above, provided initial deductive, or theory-driven code, as described in the previous chapter. Intensive study of the texts did not support all of these ideas, and alternative ideas were drawn from the data, in an inductive process, which in the context of the Inquiry were significant.

Ideas identified in this chapter are normative and cultural-cognitive. Normative ideas have been described as the conception of the “preferred or desirable” (norms and values) and of appropriate goals and activities. Cultural-cognitive ideas have been described as a symbolic system which contains ideas about how the world works, and which the individual uses to assess the best courses of action. The ideas which are identified in this chapter express values, and also views of how the nonprofit world operates, and are therefore both normative and cultural-cognitive. From a strategic point of view, in argument, an idea which describes how the world operates may be promoted to an idea about how the world “should” operate. In other words an idea which is cultural-cognitive can become normative.

The Terms of Reference of the Commission were quite specific and focussed on a range of issues which impact on the regulation of sector organisations. There was scope, however, within them to explore higher level questions such as the relationship of the different sectors

in a mixed economy of welfare (Industry Commission, 1995a, pXIII-XIV). In the process of doing so, the way that organisations portrayed themselves as distinctive and as adding value to the community was revealed.

At this point it is important to remind the reader of the limitation of “overgeneralisation” discussed in the previous chapter and the strategies to overcome it. The diversity of the sector implies that not all ideas are equally shared across the nonprofit community welfare sector. The taxonomy which will be established in this chapter is of an ideal type (Thornton & Ocasio, 2008, p110), that is, they are simplified and generalised to allow analytic comparisons. The framework which will be established is a heuristic of institutionalised ideas. They will be recognisable to people familiar with the nonprofit sector as ideas which are sufficiently generalised and of such long-standing that, as cited above, Kramer was able to identify many of them three decades ago as widely held institutional ideas.

It is noteworthy that the ideas are not presented systematically by the respondents as part of an ideological framework; nevertheless a chain of logic emerges. The ideas expressed can be abstracted and their connections demonstrated. One idea is connected logically to another. It does not necessarily follow, however, that they are structured in this way in the thinking of the respondents. They emerge in the transcripts as needed, in response to strategic points which respondents have to make.

This leads to the limitation discussed in the previous chapter which is that ideas may be deployed strategically to carry arguments and to provide resistance. It is not claimed that these ideas are the ideas which necessarily determine action and decision-making on the ground in the day-to-day activities of nonprofit organisations. Meyer and Rowan noted that organisations may “decouple” elements of their structure, protecting “business-as-usual” from excessive evaluation (Meyer & Rowan, 1991, pp57-58). So for example, an organisation may have a mission statement which espouses normative values about providing individualised services to its clients, but its practices on the ground may be guided by alternative rationalities such as cost-saving practices which reduce the quality of levels of service.

The significance of this framework within the bounds of this research project is not that it can be claimed as an exhaustive discussion of the institutional framework of ideas of the sector, but that it acts as a body of ideas which contest the implications of managerialism.

They commence with normative ideas around the altruistic base of the sector and the need to value each individual on their own terms. These ideas then flow onto other normative and cultural-cognitive ideas which can either describe how the sector works, or be promoted to norms which should guide the regulative structure of the sector. Taken together they comprise a framework which is claimed to be distinctive to the sector.

For analytical clarity the ideas are presented schematically in Table 1. The institutionalised ideas being identified belong to the normative and cultural-cognitive pillars of Scott's three pillar framework. The regulative dimension of these ideas emerges as a consequence of their interaction with the regulative reforms suggested and advanced by the Industry

Commissioners and will be elaborated in succeeding chapters.

The evidence for these ideas will now be discussed.

First Idea: The foundation of work in the nonprofit community welfare sector is altruistic concern for the disadvantaged.

Second idea: Each individual is valued for their own sake separately and uniquely, and is provided individualised services by community welfare organisations.

Third idea: Nonprofit organisations are close to their clients and therefore have expert knowledge about them.

Fourth idea: The nonprofit sector is innovative and responsive.

Fifth idea: To be effective nonprofit organisations require independence.

Sixth idea : Nonprofit community based welfare organisations are the true home of welfare services

Table 2: Institutionalised ideas: Normative and Cultural-Cognitive

First Idea: The foundation of work in the nonprofit community welfare sector is altruistic concern for the disadvantaged

It will not be a surprise to note that altruism is at the core of the value system of many nonprofit organisations. Specific reference to altruism and altruistic principles were made in six of the sampled transcripts and four of the submissions. They are also evident in expressions around volunteers and donations. The significance of altruism is that it provides

an institutional logic which is implied as being distinctive to the sector. As will be seen in the excerpts below it is claimed by some respondents that the nonprofit sector provides a “space” in which individual can satisfy the altruistic impulse in a way that no other sector of the mixed economy of welfare can. Altruism then becomes a principle to be defended. The importance of this will be seen when the taxation issues around deductibility of donations are examined in the next chapter.

Altruism is an idea drawn from moral philosophy, initially coined by Auguste Comte to describe non-egoistic behaviour, or behaviour focused on the good of others (Paul, Miller, & Paul, 1993, p.vii). Altruistic acts are acts done to benefit others. They may be motivated by a range of feelings or rationales, but the outcome of altruistic acts are acts which may not benefit the actor. They are therefore not motivated by self-interest (Hill, 1993, note 1, p1). Altruism is a contested concept, with some utilitarian philosophers denying that altruism is possible (see for example the extreme utilitarian position in Hill, 1993, p1), however during the Commission of Inquiry altruism is not raised as a philosophical issue. Rather it is raised as a definitional issue in response to the question raised by the Commissioners around the place of charitable organisations in society (Industry Commission, 1994b).

In the context of the delivery of welfare services, altruism is better understood as drawing on Titmuss’ formulation of altruism as an ultra obligation or ethical foundation for a more equal and socially cohesive society (McClelland, 2006, p25; Spicker, 1988, p31). The activities of the “voluntary sector” represent an important part of welfare provision as a whole (Spicker 1988, p32).

Altruism is defined in the submissions and transcripts indirectly. The Brotherhood of St Laurence contrasts it with self-interest:

“Generally we believe the community welfare sector can be characterised first of all by allowing for the expression of people's altruistic motivations. I would like to stress that. Today, so often, political and indeed psychological analysis is made in terms of self-interest alone” (Industry Commission, 1995b, Brotherhood of St Laurence, p1086).

It is described as an idealistic vision particular to Australia which is focussed on “persons” in the most general way. The passage goes on to imply that it is part of the Australian identity to be concerned with the fate of others:

“We are not denying the place of self-interest in people's motivation to act or not to act but in addition to that there is within the hearts of most Australians a vision for persons and a vision for our nation which stems from their sense of idealism...”

(ibid).

The community sector is described as a space which nurtures the altruistic principle both as an individual experience and as a feature of social culture. What is “unsaid” in this expression is an implied criticism of self-interest which is associated with “narrowness”. “Narrowness” semantically suggests a link to the use of narrow in other contexts suggesting a narrow outlook, a narrow perspective, even meanness.

“...we believe the community welfare sector is a context in which altruism can be expressed and indeed strengthened and owned that much more and indeed become a real part of the culture not only of the individual but of society at large - perhaps an element which is particularly necessary at this time when so much human behaviour is restricted to what I would call a fairly narrow analysis” (ibid).

While this short excerpt from the Brotherhood has perhaps the richest possibility of interpretations of the altruistic impulse a range of other organisations also referred to an altruistic value base for their operations. These included the (Industry Commission, 1995b, Eventide Homes in Stawell, p2522; the Victorian Deaf Society, p3, Burdekin Community Association, p3; Catholic Care, p645; Submission, Elderly Citizens Home of South Australia, pp5-6; Queensland Meals on Wheels, p2 and the Australian Catholic Health Care, pp33-35). The Vietnamese Community and Resource Centre said that its volunteers “*work from the heart, from the commitment to the community*” (Industry Commission, 1995b, p2132). Yoralla, the Spastic Society of Victoria and the Association for the Blind in a joint hearing referred to their mode of operating as “*compassion with efficiency*” (Industry Commission, 1995b p1228) and the Karuna Hospice situated their services in a Buddhist religious framework of compassion (Industry Commission, 1995b, Karuna Hospice, pp1657-1671). One of the most important consequences of the altruistic principle, therefore, is that it defines the act of volunteering and donation of money as altruistic acts. Many organisations referred to the importance of the role of people who are prepared to contribute their labour without pay, reflecting the “voluntary sector” as an alternative name for the nonprofit sector

(Industry Commission, 1995b, Cerebral Palsy, pp673-674; Eventide Homes, p2522; Karuna Hospice, pp1658,1661-1662; Sydney City Mission, p838; Submission Victorian Deaf Society, p7; Victorian Bush Nursing Association, p1274). Catholic Care expressed this as a defining characteristic of the sector :

“...we obtain assistance from volunteers, which is something that the other two sectors aren't able to draw on quite so easily. Even our boards are – our members are – our board members or our directors – volunteers, usually drawn for their expertise hopefully, but they are not paid. If in fact we were in private industry we may well have to be looking at paying them for their expertise in those areas, so people- the volunteers – who work at the rockface come out of a feeling of altruism for what they believe in and I think that that fulfils a very important role in our community” (Industry Commission, 1995b, Catholic Care, p645).

That volunteering is a characteristic of the sector is reiterated by Cerebral Palsy Association of Western Australia which stated that:

“Another resource that we use that I believe the government would find it very difficult to use is that of volunteers...” (Industry Commission, 1995b, p675).

The altruistic principle is undifferentiated. It can be applied generically by donating to a global charity without knowing anything about the ends of that act, as much as by providing specific help to a person in need. An altruistic act remains altruistic even if applied to a person who has no need for that act. Altruism does not need to have an outcome associated with it. As Badhwar notes altruistic actions may be undertaken regardless of the prospects of success (1993, p95). The idea of the object of altruistic acts, therefore, begins to shape the notion of altruism in specific ways which are linked to institutional and organisational forms. It is a principle which is observable through the context of the work done by the sector, that is, through the quality of service provided to the recipients of altruistic endeavour. Within the nonprofit welfare sector the object of altruism is constructed as a person subject to disadvantage. It is at this point that cultural and normative differences of opinion can be identified between sector representatives themselves, notably around charitable and rights discourses.

Discourses around disadvantage are global and historical; however the Australian context is relevant to a discussion of the idea as it emerges in the transcripts and submissions of the Inquiry. The development of a concept of disadvantage is linked to key social policy principles, one dimension of which are standards of need and poverty (McClelland, 2006, pp21-38; Spicker, 1988). These can be assessed comparatively against the social standards of the community rather than as an absolute standard (Spicker, 1988, pp4-19), and it is this measurement of disadvantage which is significant in the Australian context. Recent discourse around the condition of Australian Indigenous people, for example, measures it against the current standards of living of most Australians, not against the absolute levels of poverty that might be experienced in a Third World country (see, for example the COAG National Indigenous Reform Agreement (*National Indigenous Reform Agreement (Closing the Gap)*, 2008).

Disadvantage is not measured in material ways alone. The lack of access to civic, political and social rights can be construed as a dimension of disadvantage. The concepts of social inclusion and exclusion depend on this kind of construction. A more multidimensional construct than poverty alone, social inclusion embraces a variety of ways in which people may be denied full participation in society and full effective rights of citizenship in civil, political and social spheres (Lister, 2000, p38). People may be excluded from these participatory rights while having adequate material resources (ibid, p40), so while concepts around poverty highlight the distribution and redistribution of material resources, social exclusion is primarily about social relations of participation, integration and power (Room cited in Lister, 2000, p38). The discourse of social exclusion and inclusion was beginning to achieve traction in Australia at the time of the Commission of Inquiry (McClelland, 2006, pp136-139; T. Vinson, 2009, pp1-2), and does not play an explicit role in discussions sampled, although some of its concepts may be implicit. Within the transcripts and submissions, however, two forms of discourse can be determined which shape the construction of the object of altruism, one deriving from a charitable focus and the second deriving from ideas around the systemic causes of disadvantage and social justice. Kenny has identified three thematic discourses around the charitable focus: firstly around virtue, service and compassion; secondly around moral discipline and thirdly around dependency and patronage. In contrast the discourses of social justice and of systemic causes of disadvantage inform activist and social welfare delivery models (Kenny, 2000).

Some organisations accept the definition of themselves as charitable, providing services to individuals on a basis of charitable altruism. This is confirmed by four organisations: the Burdekin Community Association (Industry Commission, 1995b, Submission, pp1-21); the Victorian Deaf Society (Industry Commission, 1995b, Submission, pp1-8); Queensland Meals on Wheels (Industry Commission, 1995b, pp1-5), and the Anglican Home Mission Society (Industry Commission, 1995b, pp714-733). These organisations provide services to people who do not have other resources and are not able to help themselves effectively. In these cases disadvantage is constructed in various ways. The person who receives services is framed as *disadvantaged and marginalised* (Industry Commission, 1995b, Brotherhood of St Laurence, p1086, Anglican Home Mission Society, p729); *without power or influence* (Industry Commission, 1995b, Submission, Victorian Deaf Society, p3); *unable to manage for themselves* (Industry Commission, 1995b, Submission, Burdekin Community Association, p2); and *poor and suffering* (Industry Commission, 1995b, the Brotherhood of St Laurence, p1085). The Brotherhood of St Laurence, for example, focuses on marginalisation as a defining factor of disadvantage. In this passage a focus on the microlevel aspects of discourse analysis, particularly around grammar and collocation (see Chapter Five) provides some additional insight:

“The *community welfare sector of course has a focus on the well-being of the community and assistance to those with particular needs and who are particularly disadvantaged by the way our society works or doesn't work. In all this, certainly from the position of the Brotherhood of St Laurence, our prime concern is to minimise the pushing to the side of society of particular groups of people and rather integrate them into the mainstream of life. That's a characteristic of our advocacy work, as well as our actual service programs*” (Industry Commission, 1995b, Brotherhood of St Laurence, pp1086-1087) (emphasis added).

Packed into this excerpt are a number of ideas which can be taken individually, but their collocation gives them a ‘taken-for-granted’ feeling. Firstly the expression “*of course*” is inserted and draws attention to the “taken-for-granted” nature of altruism; then a “*focus on the well-being of the community*” implies the universal delivery of welfare however, this idea is then immediately qualified with the focus on those with particular needs and disadvantage. There is a final reference, which is nearly a throwaway line, to the systemic sources of

disadvantage, or *“the way our society works or doesn’t work.”* The Brotherhood of St Laurence has a long-standing commitment to research in social policy, and it is not surprising that it frames the argument around systemic issues (Brotherhood of St Laurence, 2010). To this point the idea of the disadvantaged person as the recipient of altruistic services reflects the moral base of nonprofit organisations, and can be described as a normative idea. However, this idea is modified in alternative perspectives. Not all constructions of the person receiving services are informed by the notion of the disadvantaged as weak and powerless, and not all organisations accept the idea of a charity focus. VCOSS draws attention to the historical development described in Chapter One which results in a diversity of organisations with significantly different normative systems of ideas. Charitable organisations are informed by notions of care of the poor and needy. The respondent contrasts this with the ideological and institutional impact of the rights movement:

“When I started work in this sector the field was dominated by a relatively small number of very large organisations. They were organisations which in many cases had been in existence for a very long time and many of them back till the middle of the 19th century. They were organisations that had been set up and had their roots and charism, if you like, in a belief that their role was to help the poor and needy, so very much based on notions of charity in a more traditional sense than we would think of it today.

Through the impact of the rights movement we have seen a wave of changes which in many instances have led to the diversification of those pre-existing organisations into new forms of service delivery, new ways of working with their constituency, and we have also seen an explosion of new organisations” (Industry Commission, 1995b, VCOSS, p1036).

The rights movement changes the focus of services from the disadvantaged person to a focus which embraces citizenship and the wider community. Marshall described citizenship as *“a status bestowed on those who are full members of the community”* (Marshall cited in Spicker, 1988, p65) and so citizenship is a formal recognition of the claims and responsibilities of individuals as members of society. As a result the subject of services is reconceptualised in a way which minimises the stigma which results from a perceived dependency on welfare and the receipt of charity (ibid, p39).

“ These services tied to social justice policies in fact also reflected a social change which in the seventies, I believe, reflected a social view that welfare was about a relatively small segment of the population, those defined as particularly needy, particularly unfortunate, particularly disenfranchised - a very small number of people” (Industry Commission, 1995b, VCOSS , p1037).

The stigma of receiving charity is rejected by rights-based organisations, who translate the stigma into a normative concern about even the naming of charitable organisations.

Queensland Shelter for example, rejects the descriptor ‘charitable’, preferring to be described as an industry.

“What Queensland Shelter would call the "community services industry", the Industry Commission is calling the "charities sector". The description of the sector as an industry that provides community services moves the definition away from that of charities that assist the "less fortunate" members of society to one of assisting individuals to obtain their basic rights” (Industry Commission, 1995b, Submission Qld Shelter, p1).

Rejecting the distinction between deserving and undeserving poor, which is historically connected to the charitable provision of services discussed in Chapter Two, Queensland Shelter takes a rights based approach that citizenship entitles everyone to information (Spicker, 1988, p58). Nevertheless people at risk of not having their rights to shelter satisfied continue to experience disadvantage. By adopting a universalistic approach Queensland Shelter, however, seeks to reduce the stigma of dependence on welfare (ibid, p39).

“Charity conjures up notions of the "deserving poor" which implies that there must also be those who are undeserving. Because our basic assumption is that everybody has the right to safe, secure, affordable and appropriate housing - then all people have the right to information” (Industry Commission, 1995b, Submission , p1).

Other organisations which felt that the term charitable had an opprobrious character were FaBRic. *"Charity" has gained connotations of condescension and patronization” (Industry Commission, Submission, p5), and The Family Planning Association “We also feel that there is a stigma attached to the word charity which some clients feel reflects on them” (Industry Commission, Submission, p4).*

The commitment to rights and reduction of stigma has both a moral component and a cultural-cognitive component. It is normative in that it reflects a moral commitment to equality and equity. It is cultural-cognitive in that it reframes the meaning of disadvantage to subsume it within the broader definition of citizenship. It serves to orient the delivery of services specifically in a way which minimises stigma. The recipient of services is still disadvantaged; however, their disadvantage should not be used as a defining feature which determines their identity.

The idea that altruism is an intrinsic quality of the sector is significant not because it accurately describes the motivations of those who work in the sector, but because it is institutionalised. Although there are shadings in interpretations of the object of the altruistic act, that is, as either a passive recipient of services, or as an active and empowered citizen, the idea that services are provided altruistically is taken-for-granted by sector representatives and by the Commissioners. The moral force of altruism is presented as a defining characteristic of the sector which by implication is not characteristic of either the public or private sectors. This contributes a foundational idea to the legitimacy of the sector and supports the legitimacy of sector representatives to speak up for their clients. It also supports the claims which will be discussed below, that the sector has expert knowledge which should be drawn upon in policy development.

Second idea: Each individual is valued for their own sake separately and uniquely, and is provided individualised services by community welfare organisations

A further evolution of the altruistic moral principle, which has expressed itself in both the charitable framing and the rights-based framing of the disadvantaged subject, is that the individual should be valued for their own sake, uniquely and separately, and not for what they produce or for their high status.

This idea has both a normative and cultural-cognitive context. Skinner described a simple test of a “core” idea, that it is an idea which has no further need of substantiation. No further good reasons are required for holding it (Skinner, 2002, pp43-44). The belief that each individual has a profound value in themselves does not require further argumentation. In this sense it is normative. Individuals “should” be treated as having that value. However it can also be considered as simply descriptive; services in the nonprofit sector are individualised according

to need. In this form it is a cultural-cognitive idea. However in both cases it has important implications which will emerge in the next chapter, as an idea which resists the erosion of individualised service provision by managerial reform.

The idea of individual value was directly expressed in five hearing transcripts and five submissions (Industry Commission 1995; Anglican Home Mission Society, pp 718-719, Cerebral Palsy Association of WA, p673, Children's Welfare Association of Victoria, p1066, the Women's Legal Resource Centre, p2060, Catholic Care, p645, Submission, QCOSS, p6, Submission, Burdekin Community Association, p3, Submission, Qld Shelter, p1, Submission, the Victorian Deaf Society, p.4 and Submission, the Elderly Citizens Homes, p9).

The Anglican Home Mission Society states that "valuing" an individual has intrinsic worth which is beyond the instrumental purpose of them achieving some desirable and measurable goal. Success that is determined instrumentally may not be possible with that individual, but this should not strip them of either dignity or resources:

"...our valuing of people goes beyond having to be successful with them. It's the intrinsic worth that we hold for an individual, that we are going to invest resources in them even if it is extremely difficult to demonstrate that we have moved them somewhere. They are valuable in their own right and deserving of care and resources" (Industry Commission, 1995b, Anglican Home Mission Society, p729).

In terms of the wider managerialist discourse around measurable outcomes and outputs this normative value and cultural idea appears as a critical potential point of collision or heterogeneity. If the individual's situation cannot be improved how do you then measure the success of the intervention with them?

In Chapter Two, Salamon's theory of Government failure was explored (L.M. Salamon, 1995, pp39-40). One of its implications is that government will fail to provide services to certain minorities for various reasons. This idea takes a particular form as expressed by representatives of nonprofit welfare services in the transcripts; even when services are designed to catch minorities through mainstreaming services, they will fail. The idea which is subscribed to by sector organisations is that they respond by providing individually tailored services.

Catholic Care explicitly employs the metaphor of industrial production to contrast the individualised service which will be provided by the nonprofit community welfare organisation.

“...organisations attempt to deliver individualised services, so that hopefully the service we deliver is made to fit the individual need rather than we turn out so many bits and pieces - or John’s term, “widgets” - and that we turn those out and we know that there will be a market out there for them. We would see that we in fact are there to provide a service which has matched the needs of the individual people”(Industry Commission, 1995b,Catholic Care, p645).

In this excerpt, providing an individualised service means providing the service which meets an individual’s felt and expressed rather than normative needs, or needs as established by experts, in this case from mainstream government services ⁷. However, it is also notable that the respondent metaphorically employs the word “*market*” in this discussion, while at the same time appearing to be critical of a one-size fits all approach. In other words, the respondent signals his acceptance of the need for productivity, while defending the need for an individualised approach. It is an example of the parties on either side of the bench seeking to appropriate the language which they perceive will be acceptable to the other party. This discursive strategy will be enlarged upon in the next chapter as one of the results of the collision of ideas.

This is also an expression of an element of managerial discourse, that is, the value of fitting people for the labour market. It provides evidence that managerial discourse is shared at least by some at the managerial level of sector organisations. This becomes significant when considering the diffusion and hegemonisation of managerial discourse across the sector, and the interaction of normative and cultural-cognitive ideas with managerial themes. It is an instance of *bricolage*, which was described in Chapter Four. Two ideas, which are not necessarily congruent, are brought together, to provide a new interpretation. In this instance individualised services are given an instrumental aim, which is, fitting people to be competitive in the labour market.

⁷ For a fuller discussion of alternate definitions of need see (for definitions of need see Spicker, 1988, pp6-8)

Individualised service can also imply meeting needs which are highly specialised and which government has failed to meet, for example around specific disabilities. This constitutes an instance of government failure:

“ The confusion of "mainstreaming " integration and generic service provision contributes to the "oppression" of Deaf people, in the sense that their real needs - especially communication needs - were not met, but there was a pretence of access to services within the generic health and welfare systems” (Industry Commission, 1995b, Submission, Victorian Deaf Society, p4).

The representative of the Cerebral Palsy Association states that specialist needs require expert skills which can only be provided by a user controlled group (Industry Commission, 1995b, Cerebral Palsy Association, p 672).

The idea that community welfare organisations can and should provide services which respond to individual needs is both normative and cultural-cognitive. As a cultural-cognitive idea it is purely descriptive; that is, it describes the way in which services are claimed to be delivered within the nonprofit sector, in this way conferring a distinctive quality that is not applicable to large bureaucracies. However it also has a normative quality. Firstly, it embodies a moral principle around equality and equity as well as respect. Secondly, it can be deployed as a normative guiding principle for the structuring of service delivery; that is, that services should be designed to achieve individuality of service provision. As such it is potentially a point of contestation with managerialist ideas. Its collision with principles being introduced by the Commission of Inquiry, particularly around accountability principles will be traced in the next chapter.

Third idea: Nonprofit organisations are close to their clients and therefore have expert knowledge about them

Associated with the idea that the individual is valued for their own sake is the cultural-cognitive idea that nonprofit organisations do not place barriers between themselves and their clients and are therefore close to them.

Closeness is an idea with potentially different meanings. It may mean simply that services are located in areas of disadvantage facilitating access to them, as in community development

and place-based interventions (S. Clarke, 2000, pp38-47; T. Vinson, 2007). It may mean also that because they are less formal they may function with less bureaucracy and be able to respond more quickly and helpfully to meet the needs of their clients. Alternatively it may refer to the capacity of practitioners to have empathic identification with their clients, and perhaps even share similar life experiences, which allows the service providers to build relationships (O'Connor, Hughes, Turney, Wilson, & Setterlund, 2003pp105ff). It may finally refer to empowerment through client-centered interventions (Kemp, Whittaker, & Tracy, 1997; Parker, Fook, & Pease, 1999, p153). In the transcripts closeness is not differentiated. Rather it is an idea which embodies some or all of the above readings.

Closeness to clients is another idea with a both a normative and cultural-cognitive dimension. It may describe what is assumed to be a characteristic of nonprofit community welfare organisations, however it may also be deployed normatively as a guiding principle which should structure the perceived relationship between the organisation and the client; how can closeness to clients be protected and assured? It is a consequence of the preceding idea that the client of nonprofit services should be provided individualised services. It would be impossible to do this unless the nonprofit organisation knew the needs of the individual very well, and this can only be achieved through closeness.

The idea of closeness to clients was identified in six hearing transcripts and two submissions (Industry Commission 1995; Inner City Neighbourhood Centre Forum, p1016; Cerebral Palsy Association of WA, pp672-673; Country Women's Association Victoria, pp1064-1065; Women's Legal Resources Centre, p2059; Catholic Care, p650; Anglican Home Mission Society, p724; Submissions; QCOSS, p7; Elderly Citizen's Homes, p9). Physical and psychological accessibility of services is mentioned by QCOSS, because "*they are often localised and known within the communities of which they are a part...*" (Industry Commission, 1995bQCOSS Submission, p7). Service delivery is considered a much more personal and intimate experience than when delivered through a bureaucratic organisation.

"I think that the grassroots people who are out there in the front-line, the teams that are actually delivering the services, are the ones who have the contact with people and know what their needs are and know what the problems are, and are able to put up arguments for funding and arrangements for funding that I think enable us to keep

the perspective” (Industry Commission, 1995b, Anglican Home Mission Society, p724).

Closeness to clients develops in a number of ways. For example the Inner City Neighbourhood Forum emphasises the feeling of comfort and support which a small community organisation can provide, and the impact of its philosophical base of individual empowerment (Industry Commission, 1995b, Inner City Neighbourhood Centre Forum, p1016).

Closeness to clients allows nonprofit organisations to develop expert knowledge of social issues and a capacity to advocate for the disadvantaged, both individually and systemically. This idea was expressed in six transcripts and three submissions (Industry Commission 1995: Brotherhood of St Laurence, p1086; Cerebral Palsy Association of WA, p672; Children’s Welfare Association of Victoria, p1066; VCOSS, p1038; Barnados, p700; Women’s Legal Resources Centre, pp2071-2072; Submission, Burdekin Community Association, p6; Submission, Elderly Citizens Homes of SA, p8; Submission, QCOSS, pp6-7, 11). Expert knowledge is claimed to be superior to government’s knowledge. It develops in a number of ways:

1. The Brotherhood develops knowledge through *formal research processes* (Industry Commission, 1995b, Brotherhood of St Laurence, p1086).
2. Expert knowledge is developed also through *consumer involvement*. The governance structure of nonprofit organisations allows for consumer involvement by participation on Boards (Industry Commission, 1995b, Cerebral Palsy Association of WA, p672).
3. Through *self-empowerment processes*, by persons working voluntarily for organisations. (Industry Commission, 1995b, Inner City Neighbourhood Centre Forum, p1016).
4. Expert knowledge is also developed through the *delivery of services directly*. The Cerebral Palsy Association of WA employs a metaphor which reflects the high value of that knowledge. “... *Our staff are experts in dealing with children with cerebral palsy and parents know that they get an expert service. Indeed if you spend a lot of money on a Mercedes you would prefer to take your Mercedes to a garage that specialised in repairing them than somebody's auto shop which was dealing with*

Fords and Commodores too. “ (Industry Commission, 1995b, Cerebral Palsy Association of WA, p673).

Closeness to clients leading to expert knowledge in turn provides a rationale for the nonprofit welfare sector having significant contributions to make to policy development. This claim is supported by QCOSS (Industry Commission, 1995b, Submission, p7) and the Brotherhood of St Laurence (Industry Commission, 1995b, p1090) and the Women’s Legal Resource Centre (Industry Commission, 1995b, pp2071-2072). The Children’s Welfare Association of Victoria also claims a privileged position in relation to planning based on this concept:

“We believe that it's important for the non-government sector to have a principal role in the planning and the co-ordination of services because we are close to the clients, we are in daily touch with their needs and we are well placed to respond to their requests” (Industry Commission, 1995b, Children's Welfare Association of Victoria, p1066).

The institutionalised idea that nonprofit sector organisations are close to their clients, and thereby have expert knowledge, has important implications which will be explored in subsequent chapters. Firstly, it contributes to the contestation which results in the bricolage or cobbling together of a compromise recommendation. Secondly, it provides the basis of the claim that the sector should enjoy a more significant role in policy development. The effects of this idea in different institutional contexts will therefore be seen to be quite different. In terms of developing a taxonomy of institutional ideas it supports the next idea to be identified, which is that organisation are innovative and responsive.

Fourth idea: The nonprofit sector is innovative and responsive

Just as closeness to clients justifies a claim to a role in policy development for the sector, it is linked to a wider institutionalised idea that the sector is both innovative and responsive; being responsive to individual needs leads to innovation in the design of service delivery.

It has long been assumed that one of the primary functions of voluntary organisations is to pioneer services and to pave the way for their adoption by governmental bodies (R. M. Kramer, 1981, pp173-192). As long ago as 1981 Kramer challenged this idea. He pointed out firstly that from a comparative perspective there are significant differences internationally (ibid) and secondly that, while there is some evidence that nonprofit agencies identify new client groups the number of innovative programs which they produce is small (ibid, pp176-177), and that government may also lead (ibid, p188). Nonprofit organisations are more likely

to change or extend existing programs as improvements (ibid, p176). Nevertheless “*the mystique of the voluntary agency as a vanguard persists*” (ibid, p187).

The expert knowledge developed by the sector, and its focus on individualised services, leads to the idea that the sector is innovative and responsive. Within the sampled documents three submissions and eight hearing transcripts referred to innovation and responsiveness in the sector: (Industry Commission 1995; Sydney City Mission, p837; VCOSS, pp1041-1042; Yoralla, p1228; Brotherhood of St Laurence, p1087; Children’s Welfare Association of Victoria, p1074; SEQYAC, p1735-1736; Submission, Victorian Deaf Society, p3; Submission, Elderly Citizens’ Homes of SA, p8; Submission, QCOSS, p3). The Brotherhood links its research capacity to its service delivery arms, and through the combination supports innovation in service delivery (Industry Commission, 1995b, Brotherhood of St Laurence, pp1091-1092). The Victorian Deaf Society lists it as one of the defining characteristics of nonprofit welfare organisations: “...*they are innovative, and path-finding: government follows, rather than leads*” (Industry Commission, 1995b Submission, Victorian Deaf Society, p3) and innovation is also claimed by the Sydney City Mission as a feature of the non-government community sector (Industry Commission, 1995b, p837).

In elaborating on innovation the Brotherhood of St Laurence sees it as a necessary part of being able to deliver individualised service, and links innovation overtly to prevention strategies:

“... *we again would emphasise the principle of innovation. It's an important means whereby we can encourage new and effective ways of meeting needs and most importantly of preventing problems. That's something that the Brotherhood tries to achieve in its own strategies: the emphasis on prevention rather than even the most creative amelioration...*” (Industry Commission, 1995b, p1088).

Some of the concern around innovation and responsiveness appears as a frustration with funding and accountability policies which cause organisations difficulties. For example,

“...*in my own experience I find that virtually all of the fundraising that I do is done simply to top up the lack of funding provided by government, to maintain the quality of services that I believe the community is entitled to expect. So my freedom to be innovative is extremely restricted because virtually all of the money that I raise in the*

community is committed to delivering the services which have been contracted with the government” (Industry Commission, 1995b, Children's Welfare Association of Victoria, p1074).

This experience was reiterated by The Brotherhood of St Laurence (Industry Commission, 1995b, p1089), and Australian Catholic Health Care (Industry Commission, 1995b, p38). Innovativeness is an institutionalised idea with both normative and cultural-cognitive dimensions. Associated with the idea of both government and market failure it describes a cultural characteristic of nonprofit organisations. However it also provides a normative principle which can be used to contest rigidities of funding. It is employed in this way in succeeding chapters. Finally it supports the fifth idea which emerges, that sector organisations need to be independent; in order to be able to deploy resources where they are needed sector organisations need to be free and untrammelled.

Fifth idea: To be effective nonprofit organisations require independence

The fifth idea has a normative character. The independence of the sector is one of the most controversial aspects of the use made by government of the sector for the delivery of welfare services. The name of Wolch's work *“The Shadow State”* (Wolch, 1990), cited in Chapter Three, neatly sums up the paradox. While the sector might argue for its independence, funding by government and accountability requirements are perceived to erode that independence. Nevertheless it is a value cited often in the transcripts of this Inquiry.

Independence is argued on a number of points. Firstly, on the basis of organisations being client and system advocates. It is claimed that due to closeness to the disadvantaged person and the subsequent expert knowledge which they develop not only of the client, but also of the wider service delivery network, nonprofit organisations are positioned to speak up on behalf of, or with, their clients. Effective advocacy however requires independence from government:

“Community organisations also play an important advocacy role on behalf of individual consumers. Because of their independence in relation to Government, they are able to play a role in supporting consumers in conflicts with Government authorities. This role is valuable not only for the assistance it gives to individuals, but also for its potential to improve the accountability of Government services in general” (Industry Commission, 1995b, QCOSS submission, p7).

The Women's Legal Resource Centre reinforces this idea in relation to advocacy for women. In addition it brings up the second argument for independence. It is required to maintain objectivity, and to avoid capture by party political interests. This is needed for good policy development.

“ ...the fact that it's independent and separate from government makes it a very important organisation for being able to do what it says - advocate for women. I think if our being a bit separate from government - although getting our funds from there - does enable us ... to provide support for women and children and desperately needed legal advice and information, but also it enables us to provide information and advice to both sides of government which is genuinely independent and not party political “
(Industry Commission, 1995b, Women's Legal Resources Centre, pp2072).

Independence is therefore framed as a functional prerequisite of advocacy, and refers to both financial and political independence. The Queensland Country Women's Association claims to act without adherence to any party. By having independent sources of funding and acting non-party politically the QCWA says it maintains an “open voice”:

“For example, if party politics was brought up and discussed within one of our meetings that person would be told to cease immediately. It is just not allowed. And so we deal in a non-party political way and because we do not accept funds, or have to accept funds to run our association, we feel that we do have a voice of our own and that we can contribute where we feel it is required” (Industry Commission, 1995b, Qld Country Women's Association, p1628).

Nevertheless, once again, this idea is not homogeneous. The size and influence of nonprofit organisations with government may impact on this idea of independence. The Benevolent Society, a very large corporate charity, for example, reflects a generous view of government attitudes to advocacy:

“I think the funding issue is a much more vulnerable area but I think governments do respect the right and the role of organisations to play a social advocacy role. We have certainly played that in the past ” (Industry Commission, 1995b, Benevolent Society, p868).

In relation to this the Commission reflects that there is an expectation that organisations which are well-established and wealthy will have greater influence. This may well account for the beneficent view that the Benevolent Society holds about government attitudes to

advocacy (Industry Commission, 1995a, p363). Nevertheless the Society also expresses a concern around the loss of independence due to dependence on government funding:

“The other side of the coin, of course, is that independence has to be preserved at all costs. I think the greatest threat to independence is the increasing dominance of government funding for organisations. My organisation is too dependent on government funding, for example; that concerns me more than the fact that we have got some government nominees on our board or that we have contracts or interlinkages with government in its different forms” (Industry Commission, 1995a, Benevolent Society, pp 867-868).

Many authors have expressed a concern that a contractual relationship with government threatens the ability of the sector to maintain a campaigning or policy development function. For example, *“(S)ome commentators predict a drift towards self-censorship, a reluctance to bite the hand that feeds, and restrictions derived from a growth in competition with the market sector”* (Miller, 2004, p78). This idea becomes extremely important as a touchstone against the ideas and logics around managerialism, as will be demonstrated in Chapter Eight around the fiercely defended rights to tax deductibility on donations. It suggests the idea that the nonprofit welfare sector has a self interest in survival or a responsibility which must be protected. This responsibility takes a more diffuse form in the final idea identified, that the sector is the optimum site for the delivery of welfare services.

Sixth idea: Nonprofit community based welfare organisations are the true home of welfare services

The ideas expressed above come together in the final normative institutionalised idea that community based welfare services are better provided by nonprofit organisations.

“I think in terms of the government programs there is a tendency to put the more difficult people to one side, and it's the charity sector - because of the value of the individual person - that they really want to pick those people up and work with them” (Industry Commission, 1995b, Anglican Home Mission society, p 718).

This idea was expressed in four hearing transcripts and submissions (Industry Commission, Anglican Home Mission society, p 716-717; Submission, Family Planning Australia, pp4-5; Family Support Services Association, p764, Barnados, p700; Submission, Burdekin Community Association, p8).

The quote below from the Anglican Home Mission Society is explicit in response to a question from the Commissioner about whether the bulk of direct service delivery should be provided by the non-government sector. Unlike the perception that government delivered services are driven by political agendas, charities claim to respond to the real need of individuals:

“We would see that as being important, because I believe the charity sector is able to be more responsive than government: responsive because we are often able to take a more holistic view of people in their circumstances, and it is difficult for government services to be divorced from the political agenda of the day. Charities have a history of responding to need as they see it, whether or not it actually fits a particular program that the government is wanting to sort of promote at that time. So it's the issue of responsiveness” (Industry Commission, 1995b, Anglican Home Mission Society, p718).

The development of charitable services in Australia discussed in Chapter One reveals from the beginnings of colonisation mixed state and charitable interventions. However, some nonprofit organisations express the view that community charitable and voluntary endeavours come first, and that government follows, supporting Voluntary theory, discussed in Chapter Three. In this sense they are not responding to government failure, but predate the intervention of government. For example, Family Planning Australia expresses that:

“Recent Australian history shows that Charities have developed in direct response to community needs prior to the provision of a broad range of services by the various layers of Government” (Industry Commission, Submission, p3).

Family Planning describes the humble beginnings of community services with members of the community coming together altruistically to address an identified need.

“These services have developed often through a self help format or alternatively as a response by people with the means to do so to obvious distress within communities. ... the sector has developed because of some of the better responses of communities to perceived needs and in the main have continued with an altruistic philosophy...”
(ibid).

As a result the service may be very small to begin with. The beginnings of services are pre-organisational or pre-institutional and, you might read, more pristine. Kramer described this period as *“freewheeling, pioneering and loose”* (R. M. Kramer, 1981, p107). The pressures of institutional isomorphism have not begun to affect the organisation until it enters the world

of funded services. Family Support Association describes this process. The first stage is the identification of need by a few people in the community (Industry Commission, 1995b, Family Support Services Association, p764). Initially there were no paid staff but then funding becomes an issue and this provides the basis for an organisation (ibid). The next stage is that numbers increase and the distinction is made between the voluntary management committee and paid staff (ibid, pp764-765). Meals on Wheels offers a similar history as a formation of a peak body, progressing from a felt need in the community, to becoming a small organisation and then to a large association to promote development (Industry Commission, 1995b, Qld Meals on Wheels, pp1-2).

VCOSS pursues a more sophisticated version of the theme, presenting a fully developed historical schema which captures the interest of the Commissioners. Issues of historical primacy take a different form in the presentation by VCOSS. There is no simplistic sense that “we came first”, however the primacy of the sector results from contingency. The sector has evolved as a result of the path dependence created by decisions taken historically (Industry Commission, 1995b, VCOSS, pp1036-1038). The picture which VCOSS presents is of the indissoluble dependence of both government and community sector on each other. Normative values of altruism and social justice are backgrounded against a picture of organisational arrangements determined by necessity. This becomes important in the discussion around roles and partnerships which will be pursued in the following chapters.

Discussion

In this chapter a taxonomy of normative and cultural-cognitive ideas has been presented. Although linked and supportive of each other, these ideas are not part of a systematically reasoned framework, and it cannot be claimed that all organisations in the sector will subscribe to these ideas *in toto*. Even within this sample some differentiation was identified: Firstly in the way in which the disadvantaged person is perceived, whether as an object of charitable services or as a citizen with rights; secondly in the ambivalent attitude of some organisations to independence from government, and finally in the diffuse ideas around the primacy of the sector in terms of the delivery of welfare services. Nevertheless, these ideas are not disputed within the sampled documents by organisations, and more importantly the Commissioners do not contest or challenge them. In other words they have generalised acceptance. In institutional terms this is significant.

Firstly, they constitute what Meyer and Rowan referred to as a framework of institutional myths (1991). They argued that organisations that incorporate societally legitimated rationalised elements in their formal structures maximise their legitimacy and increase their resources and survival capabilities (ibid, p53). These ideas constitute a framework of such elements and contribute to a claim that the sector is distinctive. Neither business, nor even government and the informal family sectors, for example, can claim to act from a basis of altruism alone. One may be sceptical of the claim that nonprofit organisations prioritise altruistic acts without rational consideration of self-interest, but the truth of the claim is not the point. The significance of these ideas from an institutional perspective is not that they are true or false, but that they are accepted as such. These ideas confer legitimacy on the sector. Secondly, if these ideas confer legitimacy then it follows that these ideas should be defended by the sector. As such they constitute frontiers or boundaries of the institutional field. If these norms and ideas are threatened, for example, by managerial ideas, then contest may be expected. Finally, as well as being boundaries of contest, they become weapons of contestation. In the next chapter it will become evident that the Commissioners do not contest these ideas, and indeed, make reference to them from time to time as characteristic qualities of the sector. The Commissioners lack of reaction to the ideas signal at least their nominal acceptance of them, even if they had unexpressed reservations. Sector representatives are able to consider them as legitimate. They therefore deploy them in argument, and draw upon them strategically as an alternative framework to managerialist ideas.

Conclusion

Two points of significance emerge in this discussion around the legitimacy of institutionalised ideas. The first relates to institutional stability, and the second to the instrumental uses of legitimacy.

In Chapter Four the deinstitutionalisation process was described as involving a failure of institutional logic. In Hirsch and Andrew's terms, the logic has faced a value challenge. If, however, those ideas are not remarked then it can be said that their legitimacy is taken-for-granted. The institutionalised ideas identified were not questioned by any parties of the Inquiry. While other institutional aspects of the nonprofit sector were challenged, these ideas remained taken-for-granted. This suggests that at the time of the Inquiry they were not subject to deinstitutionalisation, and that aspects of the normative and cultural-cognitive

institutional levels of the nonprofit sector were stable at that time. This further suggests that if a deinstitutionalisation process is to be identified it may manifest at the regulative level. This theme will be pursued in succeeding chapters. The second point of significance relates to the instrumental use of legitimacy. In Chapter Four legitimacy was described as supporting institutional and organisational survival. Deephouse and Suchman (2008) have identified that legitimacy can be manipulated to achieve organisational goals beyond the minimal conditions for survival. This suggests that legitimacy may be deployed to position agents within an institutional field advantageously. The instrumental purpose of legitimacy is a theme to be explored in depth in the next chapter.

To people who work in the sector or think about it, the taxonomy of ideas presented in this chapter will not be a surprise. It is partly their institutionalised and taken-for-granted characteristics which lends to them an obviousness, even though there have been some notable challenges over the years to their general validity. Their significance in this study is rather to the use made of them in contestation and the transformation which they effect when deployed against other, potentially threatening ideas. In the next chapter the instrumental use of legitimated institutionalised ideas in contestation with managerial themes as they emerged in the Inquiry is explored to describe this significance more precisely.

Chapter Seven

Towards Compromise? : Trading ideas

Introduction

In the last chapter a taxonomy of institutionalised ideas was presented. It was claimed that these ideas lend legitimacy to the sector. This model is a heuristic only and does not claim to represent the actual thought processes of the respondents to the Inquiry, or that they necessarily need to subscribe to all the ideas. Individuals draw on ideas as required.

In this chapter the responses of the nonprofit sector to managerial ideas will be explored, identifying moments of agreement and contestation. In the process of exploring those reactions discursive strategies employed by both Commissioners and Inquiry respondents will be identified using tools drawn from discourse analysis. The purpose of identifying these discursive strategies is to highlight the ways in which ideas were contested and how that contestation was managed. It will be found that all these moments of contestation refer back, directly and indirectly, to the normative values and ideas of the sector respondents. These ideas are deployed strategically by the sector representatives to resist the full impact of managerial ideas. It will also become apparent that the Commissioners do not challenge these normative institutionalised ideas. The significance of this apparent lack of challenge by the Commissioners will be returned to later in the chapter.

Discussions revolved around some key themes of New Public Management. Together these ideas impacted on ideas about the respective roles of government and the nonprofit sector. In this chapter the contestation around the managerial themes of accountability; efficiency and effectiveness; quality management and improvement; competition and contestability (initially discussed in Chapter Two) will be explored. As a preliminary step some conceptualization around power relations described in earlier chapters will be revisited to illuminate the level and type of contestation which was encountered in analysing the documents.

Factors influencing power relations

In Chapter Four some ideas derived from post-Marxism and post modernism were presented which supplement neoinstitutionalism in its understanding of power relations. Those perspectives describe the state as decentered, and defined by networks of dependent relationships. Power is perceived as more diffused through society than in a model which

understands power to be the result of hierarchical authority. It was also suggested that the institutional legitimacy of the nonprofit sector is a counterweight to managerialism. If this perspective has validity then it can be predicted that the nonprofit sector should have had some ability to influence the outcomes of the Inquiry and to apply its framework of ideas against the dominant framework of managerialist ideas.

There are two factors which shape this influence. The first is the genre form of the Inquiry, which was described in Chapter Five. Its format determines to some extent the nature of the contestation and disputation of ideas. Unlike, say a parliamentary debate, Inquiry processes as they are revealed in the transcripts are conditioned by protocols which moderate the level of contestation. Compromise is built into the genre form of the Inquiry which allows for the briefest interactions moderated by protocols of politeness and respect. The Commissioners determine the agenda and the direction of questioning; both parties tread lightly, and, what is seen is a measured “trading” or “*negotiation of ideas*” rather than a “*collision of ideas*”. It was initially anticipated in framing this research that ideas would be disputed vigorously, however what becomes apparent is that neither party is willing to fully alienate the other.

The second factor is the embeddedness of relations between sector and government in the mixed economy of welfare, discussed in Chapter Two. The historical development of the mixed economy of welfare in Australia has resulted in a co-dependent relationship between government and sector. In one sense, if government has colonised the nonprofit sector, as Wolch argues in the “Shadow State” (1990), then the sector has also infiltrated government. People migrate between sectors to manage and work, carrying managerial rationalities, and the norms and cultural values of the sector with them. The effects of this two-way migration of ideas can be overstated however. The obvious effect of hegemonic ideas is that they dominate, and the bureaucrat who steps outside of this framework is likely to meet significant resistance within his/her department through institutional effects which determine what is appropriate and acceptable. Lawrence, a neoinstitutionalist who has given significant attention to questions of power in institutions, has noted that institutions are disciplinary, and that they shape the choices of actors by establishing boundaries of appropriate and inappropriate behaviour, as long as those actors consider themselves members of that institutional community (2008, p179). In other words, as long as a bureaucrat wants their job they will have to conform to ruling ideas. However, Lawrence also makes the point that such conformity depends on surveillance, and as long as the actor can avoid that surveillance

institutional control will be undermined (ibid, p180). As Lipsky famously noted, there are a multitude of ways in which policy can be implemented by street-level bureaucrats (1980). Bureaucrats who are sympathetic to the norms and ideas of the nonprofit sector will find ways, albeit that they are limited, to express that empathy. Compromise is built into the relationship of government and nonprofit organisations. If the sector deploys normative and cultural ideas to contest the proposed managerial reforms then the Commissioners must manage these ideas in a way which “*saves face*” for both themselves and the Sector. Whether this counterbalance of legitimacy is sufficient to force compromise will be explored in the next Chapter.

The two factors of the genre form of the Inquiry and the embeddedness of relations of government and nonprofit sector tend towards a tactful negotiation rather than a dispute or open debate. However, in describing the discursive event as a “*negotiation*” it must be borne in mind that the final recommendations are framed by the Commissioners, and the account which they take of the sector’s opinions is in their control. The results of this negotiation cannot be described as consensual. In the following sections the contestation around the managerial themes will be explored.

Accountability

While government services have always reflected some form of accountability to the electorate, the decades since the 1980s have seen the importance of accountability requirements become centrally important (J. Clarke, Gewirtz, Hughes, & Humphrey, 2001, p250; Lipsky, 1993, p79). Accountability regulation covers a range of areas of concern: probity (procedures and financial integrity); the protection of consumers and vulnerable groups (risk avoidance), and quality (standards of service) (Johnson, Jenkinson, Kendall, Bradshaw, & Blackmore, 1998, p308). The renewed concern with accountability from the 1980s has been driven in particular by Public Choice theory, which led to suspicion about government officials’ management of public money (J. Clarke, Gewirtz, Hughes, et al., 2001, p252; Lipsky, 1993, p80). Governments are required increasingly to demonstrate to the public the efficiency and effectiveness of programs (Flynn, 2001, p35). This has led to the growth of audit as a control system which includes inspection, accounting, regulation, performance review, and the development of “auditable organisations” which are accountable and transparent (J. Clarke, Gewirtz, Hughes, et al., 2001, pp254-255). Nonprofit organisations which are contracted by the State to deliver human services become imbricated

in this process through their contractual relations with the State. Accountability of human services has its dilemmas, however. An important issue often raised is the question of how objectives and outcomes can be clearly and simply specified to take account of difficult qualitative phenomena so that they are measurable (J. Clarke, Gewirtz, Hughes, et al., 2001, pp255-256; Johnson, et al., 1998, p310; Jones & May, 1992, pp390-394; Lipsky, 1993, pp82-83). Miller has pointed out that as the state has:

“become more proficient in its regulatory expertise...The output driven nature of these requirements, aimed at achieving specific policy objectives within limited time frames, undermines the sector’s orientation towards process and capacity building in which the benefits are more diffuse and difficult to measure. Indeed, if non-profit agencies as service providers working to government targets find themselves in conflict with their service users, they may feel they have more in common with the state “ (2004, p78).

Miller has thereby highlighted that contractual arrangements may impact in a perverse way on the normative and cultural framework of the sector. Leat has also drawn attention to the tensions which organisations may feel between accountability to purchasers, donors and to users of services (Johnson, et al., 1998, p324). Increased accountability requirements means increased demands on nonprofit organisations. Multiple sources of funding mean multiple lines of accountability. Accountability on both fiscal and performance lines also means higher levels of skill and resourcing required by those organisations, with a shifting of resources towards managing accountability requirements (J. Clarke, Gewirtz, Hughes, et al., 2001, p256; Lipsky, 1993, pp79-81). In 1993 the idea that nonprofit welfare organisations in Australia should be accountable was nevertheless a high level concept firmly established in the discursive constructions of both nonprofit sector and the Commissioners. There were no submissions or transcripts which argued that nonprofit organisations in this sector should *not* be accountable, and the Report quoted the Brotherhood of St Laurence in support of the principle (Industry Commission, 1995a, p201). Where alternative ideas became apparent was in *to whom* should organisations be accountable, *what* accountability entailed and *to what level of detail* they should be accountable, particularly in relation to the impost of accountability requirements. This was particularly important in relation to the cost and resource implications of accountability.

As can be seen in the introduction to Chapter Seven of the Commission Report “*Accountability to the Public*”, the purpose of accountability is to reassure the public that organisations are working to their peak capacity with best use of resources:

“Accountability is an important operational issue for all Community Social Welfare Organisations (CSWOs). Their supporters and the general public expect and are entitled to information about the finances and operations of CSWOs in return for their donations, voluntary activities, and taxation exemptions and concessions. Improved confidence that funds are being used appropriately by CSWOs can potentially increase the overall fundraising resources available to the sector. ...Even when potential donors do not themselves seek information on individual organisations, the media may well do so” (Industry Commission, 1995a, p201).

The nonprofit organisational representatives constructed accountability differently to the Commissioners. There are three elements which emerge around accountability from their perspective: the first, is that nonprofit organisations are responsible to a wider range of parties than government; the second, is that accountability needs to be nuanced and sophisticated, not a simplistic fact-finding exercise which satisfies the needs of government policy makers, and the third is that accountability costs time and money which needs to be accounted for.

QCOSS puts the first idea clearly. “*All community organisations are faced with multiple and potentially conflicting lines of accountability*” (Industry Commission, 1995b, Submission, QCOSS, p19). This signals a significant departure from government thinking, and that is that government perhaps is only one of the bodies to whom organisations are accountable, and perhaps not even the most important:

“Funding bodies are often prone to regard this as the organisation's primary accountability, and it is therefore important to stress that this is only one of the organisation's lines of accountability. Where the requirements of funding bodies conflict with those of other stakeholders, it should not be taken for granted that the wishes of the funding body will take priority. Organisations also need to develop mechanisms of accountability to their consumers. They need to be able to ensure that their services are meeting the needs of consumers, in a way that these consumers are happy with.” (Industry Commission, 1995b, Submission, QCOSS, pp19-20).

Two other organisations support this position. The Women's Legal Resources Centre (Industry Commission, 1995b, pp2060-2061) and VCOSS, who links its criticism to the ideas of efficiency and effectiveness to be examined below.

The Brotherhood of St Laurence accepts and, in fact, promotes the idea of strict accountability (*Industry Commission, 1995b, pp1087-1088*), however, they refuse to accept a narrow interpretation of it. They echo the view expressed by QCOSS about accountability to consumers, but they add to it the element that it should be government rather than the sector which takes direct responsibility for the oversight of consumer well-being. In the Brotherhood's view, government accountability measures need to include indicators which focus on the quality of life of service recipients, with flexibility around place, situation and social group (*Industry Commission, 1995b, Brotherhood of St Laurence, pp1087-1088*).

Some organisations point out the major impost which accountability puts on organisations:

“ ... negotiation of these multiple lines of accountability is a frequent source of difficulty for community organisations...” and “the meeting of accountability requirements, particularly those of funding bodies, can be a strain on the resources of voluntary organisations, particularly where multiple funding bodies are involved. The administrative workload is often such that it makes real inroads into the organisations service delivery capacity.” (Submission QCOSS, pp19-20)

This was reiterated by the Ethnic Communities Council and the Australian Association of Philanthropy (*Industry Commission, 1995b, Ethnic Communities Council, pp 2214-2215; Australian Association of Philanthropy, pp1286-1287*).

These points, that is, of multiple lines of accountability, the need for nuanced reporting and the cost and resource impact of accountability were not taken up in the final Report. The Commissioners were more concerned about the difficulties they experienced with extracting information on the largest fifty nonprofit organisations (*Industry Commission, 1995a, p205*). *Passing over points of disputation* is a discursive strategy. It is perhaps an obvious one, however, it is also very significant. The evidence of disputation is buried in thousands of words and nine volumes of submissions and transcripts. In the process of recontextualisation of the transcripts in the Report some points of view may be omitted. The community will access this information through the final Report, and simply not mentioning the issues raised can make it appear that there is a level of agreement between parties that is actually missing.

In summary the overarching principle of accountability is not disputed by nonprofit welfare sector organisations. However there are different rationalities and ideas which refer back to the normative and cultural-cognitive ideas of the sector, and which bring alternative interpretations into play around the core idea. Sector representatives pay particular attention to the detail around accountability, which will be seen again as we explore ideas around efficiency, effectiveness and performance measurement. In this discursive strategy the essential principle or idea is *accepted, but subsequently modified or reconstructed* in line with the normative values of one of the parties. For the nonprofit sector, which in the Inquiry context is the junior or subordinate participant in discussion, this strategy is probably its most effective. By signalling agreement to the principle the party remains in the discussion. It then seeks to modify, through negotiation, the impact of that principle.

Efficiency and effectiveness; quality management and improvement

The drive towards improved efficiency and effectiveness of the public sector is a central tenet of managerialism. The reduction of costs, while maintaining and improving public programs, incorporates ideas which can also be described as regulative, involving substantial organisational and social restructure: privatisation of government services; compulsory competitive tendering and the creation of internal markets within government; performance management through a commitment to targets and striving to achieve results which can be demonstrated by outcome measures; quality improvement and cost cutting (Flynn, 2001, p32; Woods, 2001, p138). These ideas were extended by the Commission to apply also to the nonprofit community welfare sector.

As it develops the argument for quality improvement⁸ the Commission seeks to legitimate it by arguing that quality improvement will also be congruent with the normative values of the sector. The discursive strategy which it uses is to appropriate those normative ideas in support of its own cultural-cognitive and regulative idea:

“During the Inquiry, the Commission gained the impression that the sector understands that being concerned about the quality of service provided to individuals

⁸ In relation to its Agenda this principle is linked to Chapter 14: Quality systems and the section heading of the Report Overview which addresses this principle, “Improving quality of service for clients.” (Industry Commission, 1995a, pXXII).

dignifies those people during times when their self-worth is often at its lowest" (Industry Commission, 1995a, pXXII).

Having acknowledged the link with one of the most important of the sector's normative ideas, a client focus, the Commissioners jump to a regulative idea, that a client focus is provided through the adoption of quality management systems. The linkage creates another discursive strategy, which is observable through the application of a concept of discourse analysis, that is, a *hyponym*. A hyponym has been identified by Fairclough as a strategic device where one term is represented as a subcategory of another. The terms are subsumed. He cites the example of the hyponymic identification of the words "*globalisation*" and "*economic progress*" in political discourse, which frames globalisation as an essential element of economic progress (Fairclough, 1989, p116). However, ideas brought together in this way may in fact be contradictory. Sector respondents' views about quality management and improvement reveal that there are issues of interpretation which have not been addressed in this hyponymic identification.

No respondents surveyed expressed that they were opposed to the idea of performance management *per se* and this was reflected by the Commissioners who claimed that: "*A significant proportion of the sector was supportive of the ideas*" (Industry Commission, 1995a, p354). They reported, for example, that WACOSS (the Western Australian Council of Social Service) said in its submission that:

"The implementation of a standard quality management system within the community services sector would ensure greater clarity about the methods and processes used in service delivery and in managing community services agencies" (Industry Commission, 1995a, p354).

These statements are evidence that the managerial discourse around quality management has been at least partially assimilated into the cultural-cognitive ideas of the sector. However, there is a point of resistance. There was considerable disagreement expressed about how quality standards should be implemented. The transcripts and submissions, for example, display a concern that the application of positivist measurement processes in performance management and output-outcome systems are epistemologically unsound. The tools of measurement which are appropriate, for example in industry, are not appropriate to the measurement of human needs:

“I think the human services are attempting to change people. Now, that means that they're services where you don't have control over all the things that affect your service. If you're providing - if you're a manufacturer - chairs, and a chair comes off a production line with something missing, like no back on it, you know exactly where the problem lies; someone might have fouled up. But if you're changing a person, and a person is living in the community, then there's a whole lot of influences on the person besides your service. That has an effect on how you try and measure performance, what sort of performance measures you have, what sort of management you can do, and there are a number of other differences like that which we could highlight later” (Industry Commission, 1995a, Family Support Services Association, p760).

The point is reiterated by Catholic Care that evaluation in the human services is subjective. The Anglican Homes Mission Society expresses that insensitive performance measurement systems may expose the most vulnerable people (Industry Commission, 1995a, Anglican Home Mission Society, p729). Other agencies which echoed this concern are the Victorian Deaf Society (Industry Commission, 1995b, Submission, p9), the Burdekin Community Association (Industry Commission, 1995b, Submission, p9) and jointly Yoralla, the Spastic Society of Victoria and the Association for the Blind (Industry Commission, 1995b, p1224).

Targeting of services through an outcomes-output model can result in a “creaming” effect, where performance is measured by throughput. The result is that the most difficult cases are shelved:

“... it concerns me that we may get to a stage where we compete for funds on the basis of successful outcome measures... and the charity sector is extremely concerned with those marginalised groups who are the first to go if you have to demonstrate successful outcomes of your work with them.” (Industry Commission, 1995a, Anglican Home Mission Society, p729).

Clearly this concern links to the normative idea of the individual value of people.

“I mean, our valuing of people goes beyond having to be successful with them. It's the intrinsic worth that we hold for an individual that we are going to invest resources in them even if it is extremely difficult to demonstrate that we have moved them

somewhere. They are valuable in their own right and deserving of care and resources” (ibid).

This concern is reflected also by the Burdekin Community Association Submission (Industry Commission, Submission, p9), Barnados (Industry Commission, pp710-711) and the Family Support Services Association (Industry Commission, p 760). The Brotherhood of St Laurence sought to address this issue by stating that any measure of effectiveness should include measures that reflect quality of life indicators (Industry Commission, 1995b, Brotherhood of St Laurence, pp1087-1088).

In this contestation the discursive strategy noted earlier can be identified, one of *acceptance and reconstruction*. Jones and May described an alternative way of approaching the concept of effectiveness as a contestation of stakeholders (Jones & May, 1992, p386). Organisational representatives seek to take advantage of the difficulty in establishing measurable outcomes and outputs in the human services field by contesting the meaning of effectiveness. In this case a managerial idea is given a different framing which reflects the normative value that individuals should be valued for themselves and provided individualised services.

The contentions raised by the Sector organisations were met by the Commissioners who applied another discursive strategy. They attempted to *bracket* them as a result of what they described as “confusion”.

“The Commission considers that there is widespread confusion within the sector about the aims of quality systems – all of which are based on the notion of client or customer focus...There is no disjunction between empowering consumers and quality systems” (Industry Commission, 1995a, p355).

They stated that they believed that the source of the confusion was that organisations saw quality assurance as an industrial system, which reflects the excerpt cited above from the Family Support Services Association:

“...the manufacturing sector origins of quality systems and the standards which they support led many participants to believe that they have relevance only to that sector of the community...Quality systems can be designed for specific sectors, whether they are in the private or community sector” (Industry Commission, 1995a, p355).

By *bracketing* the concerns of organisations and describing them as confused the Commission sought to reduce the significance of the resistance. When the status of the Commission is considered, an authoritative statement like this positions sector organisations in a subordinate power relationship, and minimises the importance of what they have to say. Bracketing as a discursive strategy is similar to “passing over” resistances, however it is more dangerous, as it makes public and clear what the concerns are, and leaves the way open for reaction and further resistance. A case could also be made in this instance that the response of the Commissioners is patronising.

In addition to the argument presented by the Commissioners that a client focussed evaluative system is the central guiding principle of a quality management system, the Commission appeals to the concerns of community organisations around the efficient deployment of resources and independence (Industry Commission, 1995a, ppXXII-XXIII). Another discursive strategy, the *collocation of ideas* is employed. In this sense of “idea”, a concept that has some legitimacy, and is recognisable to participants as a desirable condition, will be associated with another such concept. Two benefits, although not necessarily contingent, are linked in the Commission’s presentation:

*“The Commission considers that the adoption of quality management systems – accredited to standards acceptable to the sector and governments- is a way to ensure quality service outcomes of an acceptable standard. Such processes would **protect the rights of clients and free up resources and energies of agencies to allow them to deploy and manage their resources more independently ...**” (Industry Commission, 1995a, ppXXII-XXIII)(emphasis inserted).*

This association of the dual themes of client focus and savings to the organisation is reiterated in Chapter 14 of the Report, indicating that it is a conscious linkage with a strategic purpose (Industry Commission, 1995a, p346). There is a certain irony in these claims as managers of community organisations may find it necessary to redirect resources to deal with accountability requirements. This irony is reflected in the Commission’s own report which notes that: *“These are costs of external resources to assist the process and take no account of the costs of realignment which are internal to the organisation which are harder to predict.”* (Industry Commission, 1995a, p353).

A complex discursive process is revealed around the implementation of a quality management and improvement system. Firstly the association of ideas legitimises quality improvement in terms of the normative values of the nonprofit sector, that is, the well-being of the disadvantaged person. This makes it harder to contest. The second point of resistance, however, is the other normative idea that the sector should retain its independence. This idea is reflected in a dislike of regulation, which is acknowledged by the Commissioners:

“The disadvantage of many of these methods is that they leave the sector subject to a high degree of regulatory inspection to ensure compliance with requirements of government funded programs. While many participants agreed with the goals of service standards, they found this constant monitoring by various levels of governments to be intrusive, inefficient and prone to stifle initiative and inventiveness” (Industry Commission, 1995apXXII) .

The discursive strategy to resolve this opposition is a *synthesis of ideas*, that is, the modification of one idea which may be difficult to accept by applying a second idea, to effect a compromise. In this case the synthetic compromise is to reduce the fear of overregulation by specifying that the regulation will be managed by sector organisations. Self-management of the quality process will presumably be less onerous and threatening.

To illustrate the sometimes unresolved boundaries between ideas the following excerpt provides an illuminating moment. The director of Yooralla, which is a large Victorian organisation serving people with disabilities, was describing how Yooralla meets the costs of disability services. The Commissioner was struck by something which he said and interrupted to ask if he could focus on a specific question. In this exchange the discursive relationship is reversed, and it is the Commissioner who appears to be struggling with the value of altruism as it meets the idea of efficiency. Ironically, it appears that it is the organisational manager who has resolved the apparent contradiction between compassionate altruism and good management principles.

“THE CHAIRMAN- I just want to focus on the point that you made about compassion with efficiency. What I'm trying to understand is whether you can actually get this compassion with efficiency by simply relying on the contractual arrangements and whether there has to be something in addition to that that enables compassion

with efficiency to be effectively implemented “ (Industry Commission, 1995b, Yooralla, p1228).

In response the managers of Yooralla show that they have a clarity which the Commissioner lacks. The respondent refers back to the normative values of altruism which underlie the organisation.

“If you go back to my organisation, we need to go right back to the spirit of our creation, when its whole evolution was about compassion, seeing a need, working out how - with no support, nobody, just running cake stalls and outside strip shopping-centres etcetera etcetera - to build up - but it was a very compassionate, it was a very sensitive, it was a very caring, it was a very loving approach to a perceived need. I think in a sense we managers need to recapture that in the way we develop the sensitivity and the quality of our organisations. But I see that as in a sense separate from the hard-nosed efficiency aspect or effectiveness aspects where you can clearly define a service in one sense and the cost of delivering that service. The feel that you do it with and the love and the dimensions of sensitivity that you apply to it I think is very much a function of leadership and a function of understanding the work that you're doing” (Industry Commission, 1995b, jointly Yooralla, the Spastic Society of Victoria and the Family Support Services Association, pp1229-1230).

The managers of Yooralla frame the normative value of altruism as something quite distinct from the cultural-cognitive ideas around efficiency, but do not see a conflict between them. The efficiency requirement is exogenous, applied externally, the altruistic values are endogenous. In this sense they mirror the approach of the final report which tacitly accepted the normative base of nonprofit organisations, and focussed instead on the instrumental, technical and regulative requirements. It also, in passing, supplies a justification for the Commissioner to place responsibility in terms of performance management for quality of life issues onto sector organisations, an issue which will be returned to in the next chapter.

In summary, the nonprofit sector indicates some serious reservations to the introduction of quality management systems related to output-outcome funding arrangements. In Chapter Four it was noted that in an institutional change process it can be expected that agents will respond by cobbling together institutional forms, that is by bricolage. Bricolage represents a

synthetic result of dialectic, as ideas are brought together. The synthetic results of the dialectical process that are being observed in this contestation around accountability, efficiency and effectiveness will be examined in the next chapter. The bricolage is marked by a number of discursive strategies applied in contestation. Firstly, the *collocation of ideas* which may not normally go together, in this case of a client focus and savings to the organisation linked to justify quality improvement; secondly, the *hyponymic identification of ideas* or subsuming one idea under a higher order idea, once again which may not actually relate, in this case of quality management or improvement subsumed under a focus on the client's well-being; thirdly, the modification or compromise to reduce the threat of the proposed reform, and finally, the *bracketing* of resistance as "confusion" to minimise its importance. These discursive strategies are microprocesses leading towards a bricolage or synthetic result.

Accountability, quality management and efficiency and effectiveness are core themes of the managerial agenda. While sector representatives may have had concerns about the regulative detail around them, their advancing hegemonic status across public and nonprofit sectors is indicated by the basic lack of disputation about their necessity. It was expected, however, that the core marketisation concept implied by competition would be of greater concern to the sector as, in principle, it may threaten the survival of sector organisations which may not consider themselves competitive in the market, however, the findings derived from the transcripts were less conclusive.

Competition/Contestability

Ideas of competition derive from the effort to reinvent the relationship between public services and the public in a "consumerist" pattern (J. Clarke, Gewirtz, & McLaughlin, 2001, p4). The monopoly power of large public bureaucracies is broken by introducing competition. In turn the citizen is provided with choice in terms of choosing who will provide him or her services (Clarke, Gewirtz et al, 2001, p4). Competition not only is intended to introduce choice, but to result in lowered costs to government. The principle is that efficient outcomes are more likely to be achieved in a competitive market, which sets a true value on services provided (Flynn, 2001, p32).

The Industry Commission shares these ideas. It introduces ideas of competition, which it refers to as “Contestability”, as part of its platform of Efficiency and Effectiveness (Industry Commission, 1995a, pp385-408). Recommendations 16.1 and 16.2⁹ are aimed at unsettling established, and possibly inefficient, organisational relationships with government, calling for contractual relationships to be reviewed periodically in a competitive environment.

Competition is framed as a way of achieving quality outcomes for clients because it provides a choice of a range of providers (Industry Commission, 1995a,p385). It is also acknowledged that competition has price advantages for government (Industry Commission, 1995a, p387).

The Inquiry Report cited an objection from the Qld Spastic Welfare League, on the basis that if it lost a tender process the consumer “*will miss out on the additional depth of services*” provided by the organisation (Industry Commission, 1995a, p399). However, among the documents sampled there was no specific objection or qualification to the idea of competition. This is somewhat surprising. Concerns around the impact of managerialism were being voiced by the beginning of the 1990s, as noted in Chapter Two, and it could be expected that there would be some reactions from the sector representatives to the profound impacts of privatisation and marketisation. As has been noted there was a significant response to the idea of quality improvement, and it might have been expected that

⁹ Recommendation 16.1 “*Procedures for the selection of service providers should be transparent and designed to encourage a range of providers to express interest in delivering services.*

Procedures should be in place to ensure that service providers are reviewed from time to time and new providers are given the opportunity to deliver existing services.

Any assessment of changing from the existing provider should consider costs not met by the new provider, including:

- *Discontinuity of services for clients;*
- *Redundancy of use-specific assets; and*

Other costs, for example, extra transport of clients or dislocation of staff of the current provider. “
(Industry Commission, 1995a, p394) p394)

Recommendation 16.2 “*Commonwealth and State/territory governments should develop a set of principles for the selection of service providers. These principles should include:*

- *applications normally be called by public advertisement;*
- *information sought in applications be as simple and standardised as possible;*
- *service and quality management standards be clearly specified;*
- *selection criteria be prioritised;*
- *timetables for the assessment and notification of applicants be specified;*
- *unsuccessful applicants have access to the reasons for their non-selection; and*
- *applications for provision of services be co-ordinated to encompass inter-related services.”*
(Industry Commission , Charitable Organisations in Australia; Report 45 , Melbourne, AGPS, p401)

competition would elicit a similar response. The Commissioners themselves acknowledged that a move towards competition would lead to changes in the ways that the sector is structured (Industry Commission, 1995a, pp401-402). It may be coincidental that the issue did not figure largely in the transcripts sampled. However, as noted above, the response to quality management ideas in the same documents was relatively vigorous. There are a number of possibilities raised by this *absence*.

It may have been that the Commissioners were employing a discursive strategy of *backgrounding an idea* so that it does not attract adverse attention. In this guise, the Commissioners may have been husbanding their resources and picking the terrain of battle. In support of this idea it should be noted that the question of competition was not highlighted in the Issues Paper. The question which hints at it asked:

“To what extent do charities compete with for-profit organisations for government funds? Do charities have an advantage over for-profit organisations when competing for government funds?” (Industry Commission, 1994b, p12).

This frames competition as an issue of equity, but otherwise does not invite extensive response. However, it is equally plausible that the idea gained momentum as the Inquiry proceeded. In either case, the idea was significantly developed by the Commissioners after the initial draft of the Report was submitted to the community. The Draft Report did not mention contestability and discussion was restricted to tendering arrangements (Industry Commission, 1995a, pp287-296). In the final report a full chapter, “*Chapter 16 Selection by Governments of Service Providers*” (Industry Commission, 1995a, pp385-408) was dedicated to the question, highlighting its limitations, but also advancing strategic possibilities of network arrangements to address the problems introduced by competition.

The issues raised resulted in some complex rationalisations. As these rationalisations were around regulative ideas about organisational structuring they will be explored in the next Chapter which analyses the regulative recommendations of the Inquiry.

Discussion

In this chapter a discursive process between normative and cultural-cognitive ideas has been traced. The results of this process, the regulative expression of these ideas in the recommendations of the Inquiry will be analysed in the next chapter. At this point, however,

it is possible to abstract from the discursive process some points which bear on themes within neoinstitutional theory.

At the beginning of this research, it was stated that the contestation between managerial and sector ideas was initially expected to be quite intense and conflictual. The evidence of transcripts, submissions and the final Report however, presents another picture. Contestation is certainly present, however it is modified, as noted earlier, by the genre form of the Inquiry and the need for the parties not to alienate each other. Firstly, both parties introduce discursive strategies which mask the contestation. These strategies were noted as the backgrounding and passing over of ideas; the collocation of ideas which do not normally go together; the hyponymic identification of ideas; the synthetic compromise of ideas; bracketing resistance, and the appropriation and reframing of ideas. Secondly, the genre form of the Inquiry which controls the level and amount of consultation, and the level of disputation, gives the dominant role in deciding its direction to the Commissioners. It can be predicted that the ideas favoured by the Commissioners, the hegemonic ideas of managerialism will dominate discussion. Thirdly, the Commissioners do not reveal their normative preferences, but also, as noted at the beginning of this chapter, they do not challenge the normative ideas of the sector. This lack of challenge has paradoxical implications. It does not signify that the Commissioners consider those ideas as meaningful or significant in the same way as do the sector representatives, although it should be noted that one of the Commissioners Sister Margaret McGovern has had a long and distinguished career in the nonprofit sector both as a practitioner and as an executive manager, and may be expected to share at least some of these values and cultural ideas.

The Commissioners may have chosen to accept normative and cultural-cognitive ideas for a number of reasons: firstly, they may genuinely have believed them; secondly, the apparent acceptance of core values minimises confrontation, maybe even between the Commissioners themselves; thirdly, they did not see them as being in conflict with their own reform agenda, that is, that the ideas were legitimate but not directly relevant to the reforms that needed to be encompassed, or finally, and more controversially, if they were in disagreement with the ideas, they were nevertheless strategically husbanding their resources for more significant battles which they anticipated in winning acceptance of their proposals. All of these ideas may have played a role at different times, but within the scope of this textual analysis it is not possible to determine to what extent. In any case, the apparent acceptance of these ideas was

not allowed to change the direction of the Inquiry from reform which leads to rationalisation, increased accountability and efficiency, as will be demonstrated in the next chapter.

However, by accepting these ideas the Commissioners also acknowledged them as legitimate, and allowed them to be deployed by sector representatives in defence of their positions.

A number of themes of neoinstitutional theory are engaged. Firstly, as discussed in Chapter Four, recent work around power and institutions has pointed out the significance of resistance. Lawrence cites Barbalet's comment that resistance imposes limits on power, and in fact "*it is through its limitations on power that resistance contributes to the outcome of power relations*" (2008, p179). One form of resistance is resistance to domination, which if frustrated may become destructive (ibid, p181). In the context of the Inquiry resistance is, of course, far more moderate. Nevertheless, the power imbalance provided by the genre form of the Inquiry and the authoritative legitimacy of the Commissioners is affected by resistance. Institutional resistance is expressed through the deployment of legitimated institutional ideas and the Commissioners need to take account of those ideas. The significance of the discursive strategies employed is that they are evidence that the Commissioners were seeking a consensus and were either not wanting to or not able to steamroll the sector and force their ideas. They are deployed in order to convince and draw the parties together, and would not be required in a more coercive power relationship.

Secondly, the description above of resistance connects with ideas of legitimacy in neoinstitutional theory. Legitimacy is conceptualised as a support for institutional and organisational stability. Deephouse and Suchman (2008), however, as described in Chapter Four, have broadened the scope of legitimacy by pointing out that it has consequences. Legitimacy may have an instrumental purpose and may be deployed to position organisations within an institutional field advantageously. In this study, confirmation of this concept is provided, however, the specific use of legitimacy in a discursive contestation provides a new and different perspective; the active deployment of institutionalised ideas by agents is permitted by legitimacy. They became foreground rather than background ideas, and in a sense, acquired a combative status. Though it was muted and conducted in a polite and regulated manner, an active contestation of those ideas nevertheless occurred.

The third neoinstitutional theme is around institutional logics. Recent work in theory has brought out the historical contingency and the role of agency in determining institutional

logics. The initial formulation of institutional logics as myths reflected a concern to describe their formative and maintenance role in assuring institutional stability. However, this implies a certain static quality to those logics. Values are embedded in institutional logics, but organisational decisions are the result of the interplay between these institutional logics and individual agency (Thornton & Ocasio, 2008, pp103-104). In other words the reflexive structuration process described by Giddens, implies that those logics may, cumulatively and progressively be modified. The significance of this insight to the present study is that we are observing that the taxonomy of ideas described in the previous chapter, though legitimated and deployed in resistance by sector representatives, is being affected by managerial ideas, if only to a small extent. This becomes evident in the bricolage or synthetic cobbling together of ideas which emerges in the proposal to subject quality assurance to self-management by nonprofit organisations. By distancing the oversight and control aspect of quality assurance from government, the proposal potentially allows nonprofit organisations to protect their normative value of providing the best possible and most individualised services to clients. A core managerial idea is absorbed and transformed by an institutional idea of the sector to produce a proposal for a new institutional form. Institutional change is thus apparently occurring initially at a regulative rather than a normative level. Although hypothetical at this stage, a successful implementation of such a system would lead to changes not only at a regulative level but also eventually to organisational frameworks and practices, and to ideas about how services should be delivered, that is, at a cultural-cognitive level. This demonstrates that institutional change may occur across the different institutional orders of normative, cultural-cognitive and regulative levels at different rates in an institutional change process.

The final theme which emerges is around the impact of hegemonic ideas. The significance of hegemony was described in Chapter Four. At that time it was suggested that hegemony of ideas implies that certain ideas have achieved such dominance across the sectors, classes and levels of society that they are taken-for-granted. Clearly, the resistance to managerial ideas described in this chapter indicates that these ideas are not at this time hegemonic across the nonprofit sector. However, what is also apparent is that a hegemonisation process is taking place. Resistance occurs to ideas of accountability, quality management, efficiency and effectiveness and even competition. However, the resistance is not to the ideas in principle but to the detail of their implementation. The developing hegemony or hegemonisation of

managerial ideas reduces the level and type of resistance offered by the sector. Points of resistance occur when those ideas come into collision with the normative values and cultural-cognitive ideas of the sector. Once again institutional change is occurring across the institutional orders at different rates embracing firstly the regulative level and then normative and cultural-cognitive.

Conclusion

The discursive contestation traced in this chapter is complex. Two significant points emerge which reflect on the microprocesses of the institutional change process. Firstly, a dialectic is observable. Significant effort is made to persuade parties rather than to coerce them into reform, and this is significant for understanding power relationships as they express themselves through the Inquiry process. The dialectical process involves the interaction of processes of hegemonisation and resistance. Firstly the hegemonisation of managerial ideas supports their acceptance by all parties in principle. However, resistance expresses itself through the instrumental deployment of institutional norms and cultural ideas which leads to dispute around the detail of implementation. This is an effective strategy because these ideas have been legitimated.

Secondly, a microprocess of institutional change which draws on the differences between the three institutional pillars can be observed, which reflects differences across time.

Institutionalised ideas at their normative and cultural-cognitive level have been described as stable at the time of the Inquiry. However the phenomenon of bricolage indicates some destabilisation at the regulative level. It is observed as agents grapple with compromise solutions which synthesise different ideas. The successful implementation of such changes may have long-term implications for change at the other institutional levels, although this is not a process which can be confirmed in this study. This observation implies that change may affect the institutional pillars at different rates, and further that there may be causal relationships between them.

The synthetic resolution of this contestation can be traced finally in the resolution of the Inquiry, the final Report and its recommendations. This is the subject of the next chapter, where the capability of the sector to shape the recommendations will be assessed. To some extent the legitimacy of the sector representatives as the voice of the nonprofit sector and of disadvantaged people provides a balance to the power and influence of the Commissioners,

and some concessions result. In addition there are some interesting *absences*, which require interpretation, but which may also reflect the strength of ideas and the ability of the sector to represent them.

Chapter Eight

What difference did it make?

Introduction

In Chapter Six, a taxonomy of normative and cultural-cognitive institutionalised ideas was identified. These are claimed to inform the values of the sector and guide action and decision-making across organisations of the nonprofit community welfare sector. In the last chapter a range of effects which emerge from the institutional change process of the Inquiry were identified. These were firstly the instrumental purposes given to legitimacy, which was evident in the active deployment of the legitimated institutionalised ideas identified in Chapter Six. These ideas became foreground, rather than background ideas, and acquired a combative value. Secondly, microprocesses of institutional change were observed: the dialectic between the hegemonisation of managerial ideas across the sector and the resistance exemplified in the deployment of institutionalised ideas; the bricolage or cobbling together of ideas and institutional elements which results from that dialectic, and the way in which the three pillar framework illustrates how deinstitutionalisation processes may affect the institutional order at different levels and at different times.

This chapter examines the results of the contestation as they are reflected in the recommendations of the Commissioners, and reflects on the significance of these themes to an institutional change process. A detailed analysis of the regulative recommendations made by the Inquiry Report on accountability, efficiency and effectiveness and quality management issues is made drawing out the dialectical and institutional microprocesses identified above. This is followed by a review of the recommendations made around competition and contestability, including the significance of the absence of recommendations around collaborative organisational relationships, although these were discussed at length during the Inquiry. These themes, though specifically regulative, inform a higher level concern which is around the future viability of the sector and the institutional form of the partnership between sector and government, and these are then reviewed. This is followed by the issue of the rationalisation of funding and taxation arrangements, which was a significant concern of the Commissioners. The sector was able to deploy institutionalised ideas to affect a resistance to proposed changes to the deductibility of donations. At the same time it illustrates the

sometimes overlapping and intersecting rationalities of the parties. The ideas around the need for the independence of the sector which emerged in this debate then leads finally to a discussion around the respective roles of government and the nonprofit community welfare sector, and the significant absences of recommendations around the issues of consultation and co-responsibility. Institutional arrangements between the sector and government are questioned through the Inquiry and although paradoxically the Commissioners are seeking to establish a new institutional arrangement around the principle of *Co-responsibility* they are not successful, indicating that this phase of a presumed deinstitutionalisation and reinstitutionalisation process is a preliminary one.

A final section draws together the diverse strands of the recommendations synthetically to explore their significance to the institutional change process with reference to the constructs of neoinstitutional theory.

Promoting managerial ideas: Recommendations around accountability, efficiency and effectiveness and quality management

The final Report does not contain an accountability framework which would meet the concerns raised by the sector representatives, discussed in the previous chapter. These concerns were described as revolving around two main ideas. The first was that Government is only one body to which the sector is accountable and the second reflected the institutionalised idea around the value of the individual and the need to deliver individualised, responsive and flexible services; accountability therefore needs to be nuanced for particular individuals and groups, rather than around undifferentiated outcomes and outputs.

While these ideas were deployed by sector representatives their concerns were not reflected in the final recommendations. The Commissioners steered clear of the potentially difficult and costly area of meeting needs as determined subjectively, in favour of simpler systems (for government). The Report contains a box of definitions which adopts a definition of efficiency and effectiveness in terms of inputs, outputs and outcomes (Industry Commission, 1995a, p321). Of particular interest, however is the definition of effectiveness:

“Effectiveness is how well outputs result in desired outcomes. The outcomes are those desired by the organisation, by its clients and by those who fund the organisation....

The challenges for the community welfare services sector is to apply them sensitively to the concerns for human dignity and quality of process which characterise the sector’s value systems.” (Industry Commission, 1995a, p321) (emphasis added).

The last sentence of this excerpt places the responsibility for quality outcomes on sector organisations, and is especially important in considering the Commission’s view of the role of the sector, which will be examined below. The report around quality systems was even more specific:

“Quality systems put the responsibility for delivering quality outcomes back onto the CSWOs. It is the CSWO which has to reach compliance standard – not just in establishing a once-off capacity for delivering the service but in establishing a permanent capacity to maintain quality systems within the entire agency able to sustain quality service delivery”(Industry Commission, 1995a, p352).

So while the sector representatives called for nuanced reporting regimes, not tied to rigid output-outcomes, the Commissioners evaded this. Discursively speaking, it passed over the recommendations of the sector representatives. Although it devoted two full pages to acknowledging the resistance of the sector (Industry Commission, 1995a, pp365-366), and also accepted that : *“As more research is undertaken , it may be possible for funding to have a greater focus on outcomes of service delivery”* (Industry Commission, 1995a,p366), its ultimate conclusion was that in the absence of clearly definable outcomes, outputs should be the basis of funding and reporting (Industry Commission, 1995a, p367).

As noted in previous chapters it is important not to homogenise the views of the Commissioners. Just as there is diversity in the views of nonprofit sector representatives, the composition of the Commission of Inquiry suggests that there may have been a variety of positions taken around specific issues. The contestation is not so much between people as between ideas. The openness of the Commissioners to alternative ideas is particularly apparent around accountability as will become clear below. Nevertheless, the core direction of managerial reform is clear from the recommendations, and a number of discursive

strategies to persuade and manage the resistances of the sector were applied. In the previous chapter they were described as: the *bracketing of resistance* as “confusion”; the *association of ideas* which were not necessarily connected and the use made of *hyponymic identification*. There were, in addition, two further discursive strategies employed which can be read both as strategies to manage the resistance of the sector but also as compromises and the bricolage of ideas in the face of institutional change. The first discursive strategy employed is to introduce the principle at a high-level and leave the details to be worked out in the policy implementation phase. So, for example, the Commissioners reported:

*“The Commission’s position in the Draft Report was that Commonwealth and State governments, in co-operation with the sector, should develop an accredited quality system for the sector. This recommendation did not specify the nature of the quality system to be developed. **Given the lack of consensus from participants**, the Commission believes that further consideration should be given to the implications of the various approaches to quality management”* (Industry Commission, 1995a, pp355-356) (emphasis added).

The absence of detail around the recommendations (despite some description of specific systems such as ISO (Industry Commission, 1995a, pp348-351) allows it to be assumed that the quality management systems will be introduced which will accommodate the concerns of the nonprofit community organisations. This strategy can be read in a number of ways. Firstly, as a conscious strategy to establish a principle which may be resisted initially, but will be accepted gradually in its implementation. However, less obviously it may also signal the absence of good regulative policy ideas, a finding which will be elaborated on below. In the absence of a viable accountability system, the strategy is to defer or avoid the issue. Thirdly, it can be read as a sign that the sector’s resistance to the ideas was at least partially successful. These readings are not necessarily exclusive, and may all apply.

The second discursive strategy employed was first noted in the previous chapter and that is to resolve oppositional ideas in a kind of *synthetic bricolage* or compromise arrangement of ideas; in this case self-management of the quality process is proposed as the solution to the sector’s resentment at overregulation (Industry Commission, 1995a, ppXXIII-XIV. Also pp 346, 356-367). This proposed resolution of the issues around accountability and quality

management can be read as both a success and failure for the sector. Firstly, it can be read as the success, albeit limited, which the sector was able to achieve in resisting managerial ideas around accountability, efficiency and effectiveness. The Commission deferred the problems of implementation by referring them to the policy implementation phase, and it sought to absorb that resistance in a *synthesis* of ideas (self-regulation) which preserved the ideas of organisational independence. This bricolage facilitates the acceptance of a regulative arrangement with far-reaching implications for ways of doing business and even for organisational structure. The proposal therefore has long term implications on the other institutional orders of the nonprofit sector, its normative and cultural-cognitive levels. While it appears to blunt the hard impact of accountability it also ensures its longer term incorporation into the institutional structure of the nonprofit sector.

The sector failed to respond to the opportunity presented by the Inquiry. It is particularly significant that the Commissioners cited two submissions which specified that *outcome-based* accountability was preferred over *output-based* accountability, however in neither case were “*examples of current or planned outcome-based funding*” provided (Industry Commission, 1995a, p365). The Commissioners signalled that there was an absence of policy ideas, which retrospectively can be seen as an opportunity for the sector to influence the regulatory regime. Their failure to do is significantly linked to their reliance on normative and cultural ideas, and their neglect of the regulative framework. Their advocacy for nuanced reporting regimes were quite capable of being translated into regulative terms, however, their response was not proactive.

While there is not space to explore alternative options in detail, it may be illuminating to consider briefly what such a system might look like. In the context of the Industry Commission inquiry, McDonald reviewed a range of definitions of “effectiveness” and noted that an accountability system might be developed around the following questions: *firstly*, from whose perspective is effectiveness being assessed, and who is the dominant stakeholder or is being left out; *secondly*, is the domain of activity being assessed around all or only part of the activities; *thirdly*, what level of the organisation is being assessed and is the assessment methodologically consistent with the level being assessed; *fourthly*, is the purpose for assessing outcomes improved consumer outcomes or improved accountability to funding agencies or increased efficiency; *fifthly*, what time frame is being employed in the

assessment; what type of data is being used for assessments, is it quantitative or qualitative, and *finally* what is the referent against which effectiveness is judged, for example is it other nonprofit organisations or businesses? She proposed that an assessment system based upon these more thorough criteria would more accurately reflect the business of nonprofits than simplified outputs (McDonald, 1993, pp7-8). Clearly, at the time of the Inquiry, alternative regulatory ideas were available. By relying on government to provide the framework the sector passed up on an opportunity to frame a regulative idea in response to their normative beliefs and values.

Reading this failure from a neoinstitutional perspective, it is possible to identify the compromise as a phenomenon which results from the decoupling of normative and cultural-cognitive ideas from regulative arrangements. The paucity of regulative policy ideas may indicate that regulative arrangements across the sector do not reflect its norms and values. This is a startling conclusion, and can be overstated, especially as there are alternative reasons for this failure which will be considered below. However, as McDonald's proposed framework of quality management demonstrates, alternative options to a restrictive output regime can be designed which reflect normative and cultural-cognitive ideas. Determining why these ideas were not developed has implications for the future development of such options, and also for the understanding of how institutional change may progress. This question will be revisited later in the chapter.

Recommendations around competition and contestability

Accountability and quality management are ideas which are accepted in principle by all parties. While they may entail increased operational costs, in themselves they do not immediately threaten the existence of organisations. However, contestability, the Commissioner's preferred term for competition, does have the potential to radically reshape the forest of the nonprofit sector. It was surprising therefore to note, as described in the previous chapter, that there was initially an absence of discussion in sampled transcripts and submissions around the ideas of competition and contestability, as also reflected in the absence of detailed recommendations in the draft Report (Industry Commission, 1994a). While it was suggested that the Commission may have been seeking to background the issue, it would not be warranted to rely solely on documentary evidence to draw this conclusion. The final report however (Industry Commission, 1995a, pp385-408), contained significant

adjustments and compromises which apparently reflected input provided by organisations following the draft report.

The Commissioners advanced two recommendations, noted in the last chapter, which were designed to introduce contestability into funding arrangements. The concessions which the Commissioners made were: firstly, that any proposed change of provider needed to take into account the impact on clients; secondly, that long established services might have invested heavily in buildings and other assets and that the future of these assets, and the costs of transfer need to be weighed up in relation to the benefits of the change and, finally the need to deal appropriately with displaced staff would add considerably to the costs of change. It was recommended that all three issues be taken into account when weighing the benefits which competition might add (Industry Commission, 1995a, pp393-394).

In this context, the Commissioners singled Aged Care services from active contestation, due to a range of concerns, most notably the discontinuity which a change of provider may cause to aged clients (Industry Commission, 1995a, pp387-388, 391-393), and to asset lock-in (Industry Commission, 1995a, pp391-393), although it did also suggest a range of strategies to minimise these problems. The other area of concern singled out by the Commissioners were rural and remote communities where “*in some of the more isolated communities it may be difficult to attract even one provider*” (Industry Commission, 1995a, p388).

These concessions signal that the Commissioners applied commonsense understandings and were responsive to the institutional structure of the sector, rather than being driven by an ideological commitment to introducing competition. It was also noted by the Commissioners that the idea of contestability was also met by a concern from the sector that competition would affect the principle of “*co-operation and collaboration*” in the sector (Industry Commission, 1995a, p385). Perhaps the most interesting response of the Commissioners to this idea were proposals which they advanced around institutional arrangements. This included collaborative network and lead agency arrangements. The lead agency approach has one agency taking the lead in developing relationships with governments on behalf of other organisations (Industry Commission, 1995a, p403). Alternatively, networks of providers may be developed when organisations “*may be unwilling to work with larger or more established organisations, or the nature of the services they provide is such that it is more sensible for them to work with each other*” (Industry Commission, 1995a, p404). The Commission argued

that these proposed arrangements would “*reduce administrative inefficiencies*” (Industry Commission, 1995a, p403).

This is a problematic rationalisation, however, and it is difficult to accept that more complicated governance arrangements which are involved in setting up network service delivery on a contractual basis would reduce administrative inefficiencies. A study of collaboration in the Queensland nonprofit health sector, for example, found that while collaboration around information sharing is extensive, and organisations frequently share in joint projects, they are much less likely to engage in joint funding applications. Organisational and transaction costs militate against such closeness (Mutch, 2007, p87). Torfing has also pointed out recently in the context of establishing governance networks, admittedly a higher level and complex form of networking than establishing service networks, that there are high transaction costs and other disadvantages to consider (2007, p13), a point supported by Wanna et al in considering “whole-of-government” approaches to networked governance (2010, pp281-295).

The proposals around restructured service arrangements are interesting for three reasons. Firstly, they reflect a high concern of the Commissioners with the viability of the sector, which will be explored below. Secondly the tension between large corporate organisations and smaller community based organisations becomes evident. Milbourne reports a similar problem in the UK where small organisations were encouraged to bid with larger organisations but reported that they experienced threats to their autonomy “*over values and ways of working*” (2009, p287). The Report expressed that there was no consensus from agencies on whether large or small agencies would be better placed to compete for contracts. The After Care Association of New South Wales considered it would favour larger organisations which can afford to employ staff to develop tenders and to lobby (Industry Commission, 1995a, p399); the Royal Blind Society thought that small agencies would be able to tender for lower cost, but “*however, cannot guarantee the range or continuity of service*” (Industry Commission, 1995a, p399). This tension reflects the diversity of the sector and is evidence of the multiple sub-orders of the institutional field of the nonprofit sector. The third reason that the proposals are interesting is that they provide further evidence of the negotiation of old and new ideas in a form of bricolage. Although institutional arrangements around lead agency and networks are by no means new, they have been drawn on by the

Commissioners in the context of a viable response to competition. That is, established regulative institutional arrangements are being renegotiated in a new context to establish what may become a new institutional form. In this case an existing institutional form is remodelled for new reasons.

The ideas around collaboration raised, and the concessions made around contestability, indicate that the Commissioners were at some pains to make their proposals palatable to the sector and to demonstrate their viability. The Commissioners, while clearly committed to introducing markets or quasi-markets into welfare service delivery, are not employing coercive procedures but seeking a constructive solution, which may entail the development of new institutional forms.

However, the Commissioners' solution to the problems of creating a quasi-market in the delivery of welfare services is marked by a disjunction. The Commissioners framed competition in a way which would accommodate the concerns of the nonprofit sector, but despite a range of suggestions about possible collaborative organisational relationships, no recommendations were advanced by them. What can be made of this *absence*?

The significance of absences in texts has been noted by Fairclough (1989), who has noted that texts contain relations which are either present ("*in praesentia*") or absent ("*in absentia*"). Where one might expect a discursive element, nothing appears. These absences are significant (Fairclough, 1989, p37) and draw attention to the reasons why they are not expressed. Once again it is possible to envision collaborative models which reflect more closely the normative and cultural ideas of the sector. The models advanced by the Commissioners were administrative. More recent work has suggested, for example, that instead of concentrating on administrative arrangements which reduce costs to organisations, and incidentally to government, networked partnerships which concentrate on the strengths of organisations across their service delivery are more appropriate. These may or may not include sharing administrative resources, but the primary purpose of such arrangements is to maximise what organisations can achieve, before reducing costs (Wei-Skillern & Marciano, 2008).

While the Commissioners devote a number of pages (Industry Commission, 1995a, pp401-405) to the description of collaborative arrangements, they do not advance them to

recommendations. An explanation for the absence of recommendations around collaborative arrangements must be read in the context of the views which the Commissioners held about the viability of the sector.

The Viability of the sector: an absence

The viability of the sector emerges as a key concern of the Commissioners. It is an idea which revolves around diversity, organisational size and auspicing arrangements, and reflects the managerial concern with rationalisation.

Diversity within the sector has a number of dimensions. The Commissioners themselves reported that the classification of organisations is complex and can be approached in multiple ways comparing elements such as the target client group, taxation benefits, the level of government resourcing, the level of donations and fees, the size of organisations and their auspice arrangements (Industry Commission, 1995a, p12). Although respondents did not always agree that a definition of the sector was possible (Industry Commission 1995 Submission, Victorian Deaf Society, pp2-3; Submission, Qld Shelter, pp2-3; Burdekin Association, pp644-645; Cerebral Palsy Association, pp672-675; Childrens' Welfare Association, p1066; Catholic Care, pp644-646; Community Services Centre, pp2436-2437; Submission FaBRiC, p5; Submission, Family Planning Australia, pp4-5) the Commissioners persevered, citing the Terms of Reference of the Inquiry which had directed them to report on the range of issues for the sector as a whole (Industry Commission, 1995a, p12).

The concerns of the Commissioners are around the operational difficulties of small organisations (Industry Commission, 1995a, p10); are small organisations actually viable? In discussion with the Brotherhood of St Laurence, the Chairman states:

“It actually raises the broader question about the role of small organisations in terms of delivery of very sophisticated human services. As you would imagine it's a very sensitive one and the moment we raise it, people regard us with some suspicion but we do it with the best of motives and that is we observe, as we go around and visit people right throughout the country, how individual, small organisations - often with only one person - can be under enormous stress and have their ability to be able to provide services severely stretched” (Industry Commission, 1995a, Brotherhood of St Laurence, pp1093-1094).

Small organisations themselves shared the ideas of the Commissioners around their difficulties. The Ethnic Communities Council highlighted lack of funding, accommodation issues, skills base deficits and a lack of power and influence (Industry Commission, 1995a, Ethnic Communities Council, pp2220-2221). These concerns were supported by the Sydney City Mission who said that these difficulties “... *make(s) it very difficult for the smaller community-based organisations to survive*” (Industry Commission 1995, Sydney City Mission v2, p852).

In response to concerns about viability the Commissioners explored the role of larger organisations in providing support to smaller ones. The idea of a big brother role was accepted by the Benevolent Society (Industry Commission, 1995a, pp865-866) and the Brotherhood of St Laurence (Industry Commission, 1995a, pp1093-1094), however the Commissioners pushed the boundaries further and explored also the possibilities of auspicing and umbrella arrangements, as discussed above. Nevertheless, despite their concerns the Commissioners failed to come up with any recommendations. An alternative approach to the question of size was voiced by nonprofit community organisational representatives. They took a functional approach, that is, that organisations need to be different sizes for different purposes, which reflected the normative ideas around flexibility and closeness to the client.

“In some instances it is indeed very difficult for the small single service agencies to address the changing expectations that are being placed upon them. However in others the small organisations are very appropriate, and I think here we have to differentiate in terms of function. If you look for example at say - I'm just trying to think of an appropriate small single service organisation where the expectations of their being small and local and immediately available and dealing with needs which the consumer has a high degree of control of is, yes, very appropriate ” (Industry Commission, 1995a, VCOSS, pp1046).

VCOSS' view was supported by the Brotherhood of St Laurence, who conceded that difficult social issues require a larger investment and infrastructure adequate to manage that investment (Industry Commission, 1995b, pp1094). Another function claimed for small organisations is to represent the issues of minorities, thereby reflecting the theory of

government and market failure. Large charitable organisations, like government and the community as a whole, neglect the interests of minorities. Small organisations then have the function of addressing this deficit (Industry Commission, 1995a, Vietnamese Community and Resource Centre, pp2128-2129) .

In summary, ideas around the size and viability of organisations connect with both normative and cultural-cognitive ideas of the sector around closeness to clients, responding to their individual needs and altruistic purpose. The sector representatives pursued the value of diversity in size from a functional perspective, that is, different service size for different purposes. The dominant rationality of the Commissioners around managerial reform, in contrast, directed their gaze onto organisational and administrative arrangements which would support the viability of smaller organisations. As noted above, however, they failed to come up with recommendations around this issue.

A number of issues have been identified which made institutional change across this dimension problematic: firstly, the tension between large corporate charities and smaller organisations has been reflected; secondly the difficulties which the Commissioners faced when confronted by the diversity and size of the sector and the number of small organisations, and finally the normative, and cultural-cognitive ideas of the sector around the functions of diversity which justify the persistence of organisational diversity as an institutional form. These three issues are significant indicators of institutional persistence. Against the pressures for institutional change is the “path dependency” created by stable and persistent institutional forms developed over decades if not hundreds of years. In addition, the Commissioners are confronted by the sheer size and diversity of the nonprofit forest. Driving bulldozers in to make clearings in the forest are likely to bring out protestors in mass. To extend the metaphor further, if institutional reform is to be achieved then perhaps it is by introducing natural elements into the forest so that the forest changes itself. That is, the Commissioners may have been daunted by the lack of likelihood that a series of recommendations would be sufficient to achieve institutional reform. However, they may have envisaged that competition itself would bring about that reform. Faced with competitive pressures, nonprofit community organisations will by themselves adopt survival strategies such as those promoted by the Inquiry.

While this field of ideas is marked by a lack of resolution it draws attention to some factors of institutional change. Ideas are cobbled together (accountability and self-regulation) and reinterpreted (collaborative arrangements as a response to competition) as persistent institutional arrangements are challenged by new ideas. In addition, it is not unreasonable to deduce that the persistence of institutional forms, including institutionalised ideas, and organisational structures contributed to the absence of recommendations and the lack of resolution. This is not necessarily an indicator that institutional change is not occurring, but suggests instead a stage of the process in which institutionalised ideas and institutional forms are being unsettled, but are still persistent and resistant to change. This suggestion will be revisited below.

Rationalisation of funding and taxation

The contestation around funding and taxation was qualitatively different to the contestation around the managerial ideas examined above. The dialogue around normative and cultural was more robust and the contestation more overt. The discussion around taxation, in particular, is significant in institutional terms because it demonstrates the unevenness of the institutional change process; some ideas are accepted and advanced even if recobbled in bricolage, while others are resistant to change.

A concern with organisational integration and rationalisation was noted in Chapter One as a characteristic of managerialism (Considine, 1997, pp53-55) and this manifested during the Inquiry in the Commissioners' concerns around the rationalisation of existing arrangements between the sector, the state and the community as a whole. It particularly manifested in relation to resolving inequities in funding and taxation, occupying a very significant proportion of the work of the Commission. The eight Recommendations around taxation, and seven around funding, are mainly concerned with the reform and rationalisation of arrangements.

The evidence of the report itself indicates that they were strongly contested. For example it was reported that the Commission's recommendations around a revenue neutral package of funding to replace tax deductibility was “*criticised by the majority of participants*” (Industry Commission, 1995a, p298).

Different cultural-cognitive frameworks become evident in the discussion. While two at least of the Commissioners were motivated by rationalisation and integration, sector organisational representatives had a focus not just on their continued existence, but on being able to maintain their independence, and to continue to innovate and be responsive.

For example the Anglican Home Mission Society stated that

“Where we have frustration with governments at the state level is in the flexible use of funds, because there are moneys that are given for particular purposes only, and where we want to be a little bit more flexible with those to meet individual needs, we come up against hurdles” (Industry Commission, 1995b, p717).

The society then went on to call for a greater level of trust on the part of government.

“I think if governments were more prepared to trust agencies to almost in a sense experiment with funds, I think that there would be a whole lot of innovation that could start to be released” (Industry Commission, 1995b, p731).

This concern was reiterated by the Burdekin Community Association (Industry Commission, 1995b, Submission, p8) and the Elderly Citizens Homes of SA (Industry Commission, 1995b, Submission, p9) and jointly by the Yoralla Spastic Society, the Spastic Society of Victoria and the Association for the Blind (Industry Commission, 1995b, pp1234-1235)

If independence is constrained through funding arrangements, another source of independence is through income won by charitable giving. There was a perception that the Commission may recommend that the tax deductibility for charitable giving be dropped, however there was overwhelming representation that tax deductibility be retained, and no final recommendations were advanced to this effect. The Anglican Home Mission Society argued that the donations which they received in June each year amounted to 30% of their total income (Industry Commission, 1995b, pp732-733). The Brotherhood of St Lawrence claimed that as much as 83% of its income would be affected by the loss of deductibility (Industry Commission, 1995b, p1102). Other organisations which argued for a continuation of tax deductibility status included the Children’s Welfare Association of Victoria (Industry Commission, 1995b, p1079), the Queensland Country Women’s Association (Industry Commission, 1995b, pp1627-1628), the Sydney City Mission (Industry Commission, 1995b, pp843-844), the Victorian Bush Nursing Associations (Industry Commission, 1995b, p1275); Reichstein Foundation (Industry Commission, 1995b, pp1282-1283); Yoralla (Industry

Commission, 1995b, pp1245-1246); the Burdekin Community Association (Industry Commission, 1995b, Submission, p6), Liverpool Districts Neighbourhood Association (Industry Commission, 1995b, Submission, p5) and Qld Meals on Wheels (Industry Commission, 1995b, pp4-5).

Tax deductibility has not only a financial importance for sector representatives; it connects with the normative and cultural-cognitive idea of independence. The Queensland Country Women's Association for example, links its tax deductibility status and its non-party political status in the same context (Industry Commission, 1995b, pp1627-1628).

The contestation around this idea was the most open and overt, with the Commissioners advancing quite radical economic interpretations of the significance of taxation. They proposed an alternative framework informed by ideas around efficiency and effectiveness, and ultimately a normative idea about the role of the government within the State. The Commissioners asked if the money was not provided as fiscal income through the tax system, but through direct grants, would there not be a quantifiably better social outcome?

“The thing that we actually focus on is if you were to distribute that same bucket of money differently, would you cater for more human need than you would otherwise do? It's in that context that we try and look at the tax system... fundamentally we're trying to understand whether the same bag of money, if distributed differently - not necessarily via the tax system but even just via a direct grant - might actually give you a bigger bang for your buck ” (Industry Commission, 1995b, Brotherhood of St Laurence, p1102).

This idea is also pursued with the Qld Country Women's Association (Industry Commission, 1995b, p1637), jointly with Yooralla, the Spastic Society of Victoria and the Association for the Blind (Industry Commission, 1995b, p1245), and with the Reichstein Foundation (Industry Commission, 1995b, p1296). However, the rationality around more efficiency and effectiveness carries another agenda. Money received through tax deductibility on donations is effectively unmonitored and unaccountable money. It goes into the coffers of organisations to be used as they see fit. In this dialogue around a regulative idea the Commissioner reveals a normative concept that is absent from the written documents and Report. It is a hidden

normative idea of the Commissioners that reveals itself at the practical end of drafting recommendations around regulations and rules (the regulative pillar of institutions). There is good political reason why this idea was not disclosed, because the idea that the community sector should be totally accountable to government for all money spent, and therefore for all services delivered, is an idea which challenges the normative idea of the independence of the sector and is likely to be strongly resisted.

Firstly, the Presiding Commissioner reveals that he sees tax deductible money as unaccountable:

“It seems to us that it's (tax deductibility for donations) actually relatively indiscriminate in terms of its benefit, in that because it's provided to all organisations across the country on the basis of their ability to convince the Tax Department that they're eligible but doesn't in any way focus on what the outcomes of that organisation are that makes it somewhat indiscriminate. You can potentially have an organisation that has spent a lot of funds raising money and therefore get a very substantial benefit but in fact uses very little of that benefit in terms of the provision of human need. It's in that context that we find ourselves in somewhat of a dilemma.” (Industry Commission, 1995b, Yooralla, the Spastic Society of Victoria and the Association for the Blind, p1245).

In this contest of ideas the nonprofit organisational representative with whom he is talking draws on a normative idea to resist this reasoning. He argues that donations are in fact the community drawing on altruism. Accountability is assured because the individual is able to target their money.

“...donations actually offer community members a possibility to demonstrate their support or their altruism and also to give them choice about what sort of particular service they wish to actually support, as opposed to a grant system where the money is an additional tax” (Industry Commission, 1995b, Brotherhood of St Laurence, p1103).

This point is also jointly made by Yooralla Spastic Society, the Spastic Society of Victoria and the Association for the Blind (Industry Commission, 1995b, p1245). Normative ideas are in collision in this interaction in open *argument or debate*, based on the relative merit of

positions, rather than employing discursive strategies which mask and mute the contestation. On one hand the Commissioners are expressing that the government, through the democratic process, has legitimate sovereignty and represents the community. It identifies donations as public money which falls within the gaze of government scrutiny (a tax expenditure). It follows that this income is accountable to government. In contrast the appeal by the community sector representative to the idea of altruism appears to be a claim that altruism expresses civil society, and that the sector has legitimacy as the guardian of that civil society. However, the idea of altruism is *appropriated* by the Commissioner and turned against the sector representative:

“...my assumption is that what you will get is a form of altruism that actually comes forward on the basis of the desire to donate anyway. I mean, I would almost put myself in that category, I must say, in a sense that I'm not sure that the taxation deduction makes any difference to me - in fact I hardly ever claim it. I just forget about it. When somebody says to me, "How much did you" - I mean, hardly is it a matter” (Industry Commission, 1995b, Brotherhood of St Laurence, p1104).

In this case the Commissioner redeployed the normative strength of the idea of altruism to argue that people should not be expecting any self-interested benefit from their donations. As a tactic it appears to be effective. The Commissioner defused the conflict of ideas and rationalities that was creeping in with a disingenuous turn of the conversation, highlighted by his personal experience. This turn was effective because, in discursive terms, the social identity of the Commissioner was changed. Fairclough has noted that social identity is constructed discursively and determines the relationships of discourse participants (Fairclough, 1994, p64; 2003, pp160-161). By speaking as an ordinary citizen the Commissioner claimed the social identity of “Mr Ordinary Citizen”, normalising his interpretation of altruism, disarming the nonprofit representation of altruism and giving it an interpretation which supported his own.

This exchange illustrates the overlapping boundaries of ideas. Although altruism is an institutionalised idea which supports a specific institutional form of the nonprofit sector, it does not belong to that sector. In a shifting institutional order ideas may be retained but reinterpreted, rather than being abandoned. This indicates, once again, that the

deinstitutionalisation process should be interpreted not necessarily as a radical discontinuity, but as an ongoing recursive process of adaptation.

In the end there was substantial agreement, however, between the parties on the regulative detail around tax and funding arrangements, and particularly the need for rationalisation of inequities in the determination of who is a charitable organisation or not and the need to extend the definition of the PBI (Public Benevolent Institution status) (Industry Commission 1995b, Submission, Aust Conservation Foundation p11; Submission, Liverpool Districts Neighbourhood Association, p5; Submission, Burdekin Community Association, p2; Reichstein Foundation, pp1284-1285 & 1299-1300; Ethnic Communities Council, pp2221-2222)¹⁰. This is further evidence that where the sector was able to present clear regulative policy options, even if simply to rebut a proposal, they were able to achieve success. While the normative and cultural framework of the sector is a structure which supports and strengthens their advocacy, in the final analysis the sector fought around regulative concerns.

The foregoing discussion around taxation revenue has also allowed the identification of some normative ideas of the Commissioners, which are notably absent through the entire proceedings. Firstly, a theme emerges that runs continuously through the recommendations and the final Report that can be described as a belief in the value of rationalisation generally and specifically the need to rationalise a sector that is perceived as extremely disparate and affected, or afflicted, by inequities at many levels. The second idea is around the role of government, and its authority, if not to control and command, then to oversight the community, even in the sphere of people's disposal of their taxed income.

¹⁰ A number of recommendations reflected positively the interests of the sector : Recommendation 12.1 retained the tax free status of the sector, which as indicated in the previous chapter was advocated strongly in sector representations. Interestingly the Commission presented efficiency arguments in favour of this decision (Industry Commission, 1995a, Appendix K, ppK1-K4). So while the decision was in line with the advocacy of the sector, this advocacy may not have been a deciding factor. Recommendation 12.2, furthermore, extended tax deductibility to a wider range of nonprofit organisations. The sector response to the initial recommendation was cited and provides a clear indication that nonprofit organisations were effective in lobbying. However, it should be noted once again that the Commissioners took account of economic factors, and reported that they did not expect the loss to tax revenue to be significant .

In addition to the recommendations around taxation, there were seven which bore on funding arrangements with government. Four of these (Recommendations 15.1, 15.3 (1995a, p376), 16.1 (1995a, p394) and 16.2 (1995a, p401)) introduced output and outcome funding and contestability. Two of the recommendations addressed long-standing grievances of the sector to do with underfunding and with the instability of funding (see for example Industry Commission, Children's Welfare Association of Victoria, pp1069, 1072; VCOSS pp1048-1049; Vietnamese Community and Resource Centre, p2130; Barnados, p709; Submission Burdekin Community Association, p4 and QCOSS, p20): Recommendation 15.5 introduced the principle of multi-year funding agreements, rather than annual funding, and Recommendation 15.2 the principle that funding should take into account administrative and other costs rather than simply service delivery.

Roles of Government and nonprofit welfare sector

This view of respective roles, however, is disputed. The institutional relationship between nonprofit sector and government emerges as a central concern of the Inquiry behind the debate around regulative concerns. The relationship of government and sector is also at the heart of the question about whether the sector is being deinstitutionalised and reinstitutionalised as “an arm of government”. Are proposals and recommendations made which may indicate a future direction of such a process? The discussions of the preceding three chapters now position us to discuss the implications of the recommendations to these questions.

In Chapter Four, Oliver was quoted as identifying that pressures which might bring about deinstitutionalisation and reinstitutionalisation are social, political and functional. The ideas and policies that evolve out of managerialism, privatisation and marketisation, discussed in Chapter Two, can be identified as social and political pressures being brought to bear on the nonprofit sector through the mechanism of the Inquiry. These may lead to such a deinstitutionalisation and reinstitutionalisation process. Scott and Oliver’s definitions of deinstitutionalisation cited in Chapter Four draw attention to the loss of legitimacy of ideas in the deinstitutionalisation process. Rationalities become challenged when their reason for being is no longer obvious, and in fact may be at odds with changes to society at all levels. Two questions are raised by these definitions. Firstly, whether the normative and cultural-cognitive ideas of the sector are losing legitimacy in the face of these pressures or remain vigorous enough to be deployed in the sector’s resistance to what it perceives as the threats raised by managerial ideas. Secondly, if these ideas remain legitimate, can change in institutional ideas be observed at the regulative level? If so, then we might be able to identify a process which has significance for the understanding of deinstitutionalisation. That is, those ideas may be decoupled or modified at one level, in this case the practice end, or regulative arrangements, long before they impact at the cultural or normative level.

The role which the ideas of the sector played in the discursive contestation noted in the last chapter indicates that even if the taxonomy of institutionalised ideas was heuristic and ideal, the ideas are drawn upon to provide the sector with a level of legitimacy which counterweighs, to some extent, the dominance of managerial ideas. In addition it was noted that the fact that they were uncontested by the Commissioners is an indication that they are

accepted, at least at a symbolic level, as legitimate. At the time of the Inquiry therefore, these ideas were not deinstitutionalised.

Nevertheless, the relative strength of the ideas at the time of the Inquiry is not an indicator in itself that they will not be deinstitutionalised in future. As practices and values are affected by a changing environment, they may become progressively decoupled from one another, leading eventually to a change in legitimating logics (Scott, 2001, p190). As one set of institutional logics fades away, new logics may be introduced in a process of reinstitutionalisation. Old beliefs may not be totally abandoned, but the elements of old and new could be recombined (Scott, 2001, p192). Occasions have been described where participants in the Inquiry process attempt some form of synthesis or compromise of ideas, for example the self management of quality management processes, the application of altruism to the loss of tax deductibility around donations and the application of auspicing and network relationships as a buffer against the perceived effects of competition. The renegotiation of ideas, and the new associations which they are given, indicate that the field of institutionalised ideas is becoming destabilised. At the same time the Commissioners showed evidence of wanting to address the institutional relationship of the sector and government at a higher level which would subsume normative, cultural and regulative institutional arrangements, in other words as a holistic reformed model of the institutional arrangement. The transcript of hearings with VCOSS reveals an intense interest of the Presiding Commissioner with the instrumental question of how the sector should be integrated into the mixed economy of welfare. For example, he pressed VCOSS to provide him with a model of integration. It was noted in the previous chapter that VCOSS managed to achieve a high degree of legitimacy with the Commissioners, due to the thoroughness of their presentation. The Commissioner clearly sought to find the answers he needed from them and pursued some questions doggedly as he sought to translate normative values into a technical model which will make the relationship between government and sector responsive (Industry Commission, 1995b, VCOSS, pp1041ff). However, VCOSS was not able to provide a regulative model which was satisfying to the Commissioners. In hindsight, once again, the opportunity to influence the Inquiry at a regulative level was missed.

As the question was pursued, the Presiding Commissioner revealed more about how he saw the sector working, really as an arm of government. The difficulty then is how to make that relationship work better.

*“... the sector is actually now taking the role of providing services that governments would have in the past been seen to provide...it has become an accepted part that **you are, for better or for worse, an extension of some of the roles of government** . But at the same time the lengths between the sector and the normal policy process, the normal decision-making process, is quite removed, and **yet you're expected to actually provide services as though you were part of the government sector**“*
(Industry Commission, 1995b, VCOSS, pp1048-1049) (emphasis added).

This concept of the role of the sector as an arm of government was challenged by VCOSS who reframed the concept, inviting the Commissioner to see this from the perspective that government is less of the leader and more of a participant in a more equal relationship of sectors.

“I would perhaps like to change the view a little. I agree that the sector is now a substantial provider of services previously provided in government, but that's not the whole story. That's by no means the whole story...Now, government is really only the holder of some of the contributions of the population. The community services sector works with a substantial amount of the rest of what people give to each other - whether it's time, whether it's energy, whether it's skills or whether it's actual dollars - so that the government in that sense doesn't have... that's not where the equation should start from. I would support something that starts from a different point which is looking at it in which ways is the community helping each other and what part do they channel through government to do that. The government is still a substantial player, but I would argue for a much broader view within government of where it fits into the whole sector, into the whole social contract within Australia.” (Industry Commission, 1995b, VCOSS, pp1049-1050).

Not all organisations saw themselves as so independent. The Cerebral Palsy Association of WA expressed that: *“ I guess we're a Claytons public service because we're the public service you have when you're not having a public service.”*(Industry Commission, 1995b, p673). The Cerebral Palsy Association respondent however expresses ideas which are contradictory. The theory of voluntary failure discussed in Chapter Two expresses a more extreme view of the priority of the role of the community welfare sector. In line with this

theory the Cerebral Palsy Association of WA initially asserted that government should move out of certain areas of human service provision and leave it to the nonprofit community welfare sector, however backtracked to acknowledge that the cost of service delivery really means that neither sector is able to cover all the costs or needs (Industry Commission, 1995b, Cerebral Palsy Association, pp678-679). The idea that the sector is the best place for the provision of services has been identified as a normative idea, however when confronted with the realities of service provision, especially the difficulties of meeting unmet need, it has less traction.

Normative and cultural-cognitive ideas are tested in the complexity of social arrangements, resulting in compromise positions. In this case, the best result of an often laboured discussion around relative roles is that a partnership arrangement is required, in which the primary concern is the relative influence each party will have. The Commissioners formulated this as an idea of “*Co-Responsibility*”.

However, there are two notable *absences* in recommendations which result from the discussion around the respective roles of sector and government in a mixed economy of welfare. The first absence is around planning and consultation, despite the high value which sector representatives placed on this role-function. The second is that, despite the launch of the high level normative and cultural-cognitive idea of “*Co-responsibility*” the Commission failed to embody that in a regulative framework. These two *absences* are related.

Consultation and Co-responsibility: two absences

Nonprofit community welfare organisations brought vigorous normative and cultural-cognitive ideas to the discussion about relative roles, ideas which have been noted in the previous two chapters: They should play an important role in *policy development*; they should be *accountable*, however as much to their clients and the community as to government; they have an important *advocacy role* both systemically and independently, and should be treated as *equal and not subordinate partners* (see Chapter Six). These ideas were particularly noticeable in discussion around planning and consultation.

The Commissioners acknowledged that nonprofit community welfare organisations “...*have retained a crucial role as an early warning system for new and emerging social needs,*”

providing some examples of these (Industry Commission, 1995a, p73). They also reported criticisms of consultative processes coming from the sector (Industry Commission, 1995a, pp76-77). From the sampled documents it was organisations with a high level focus on social policy which were notable as having ideas around consultation, highlighting their role in the planning process. The Commission reported as an example the Society of St Vincent de Paul who said:

“ Further consultation does not mean compromising the government’s policy objectives, but merely making greater use of the experience of the community sector to ensure that policies established are adequate and appropriate and that the strategies used are the best possible” (Industry Commission, 1995a, p76).

This role was also reflected by the Brotherhood of St Laurence (Industry Commission, 1995a, p1090) and VCOSS (Industry Commission, 1995a, p1055).

A lack of consultation or dictation by government is resented. The Sydney City Mission identified firstly the importance of consultation because of the closeness to clients which the government does not have, and then decried what is more often dictation from above:

“ I think most of the sector would agree that the consultation process is often sadly lacking: we often find that we're called together for a so-called consultation but it's really to inform us what the government initiatives are going to be “ (Industry Commission, 1995a, pp 838).

When consultation does occur there are problems around it. The Commission reported that a number of organisations had complained about poor timelines and cited one complaint from the Aged Services Association. *“There has to be better consultation. It is not enough for government departments to invite comments on discussion papers. Such a process shapes the nature of the debate by setting the parameters of what will be considered, “* (Industry Commission, 1995a, pp76,419). It also reported the Council of the Aged in support of involvement at an early agenda setting stage (Industry Commission, 1995a, p419). Finally it commented that *“The sector is invited into the process too late. Major parameters of reform have been laid down in government planning documents and the sector finds itself in a*

constant reactionary stance, though it has the primary service-delivery knowledge at its disposal” (Industry Commission, 1995a, p420).

Although it advocated the principle that “*Consultation is most effective when it is active and participatory*” (Industry Commission, 1995a, p419) the Commissioners refrained from making recommendations which impacted on the complex arrangements in place in so many fields (Industry Commission, 1995a, pp420, LI). It desisted also in seeking to impose consultative models and confined itself to making recommendations around funding arrangements which would facilitate consultation. It would appear that the main reason for this absence then is the institutional persistence of arrangements determined by path-dependency. Institutional persistence and path dependency have been previously observed in the context of working against lead agency and collaborative arrangements to support competition and dropping tax deductibility. In this case, the institutional persistence effects work against the sector’s advocacy for better arrangements.

Views around consultation arise in a context of reference to their respective roles, and also to ideas around partnership arrangements. This was the point at which a second absence was noted. The Commissioners formulated a final view of the relationship which was a high-level descriptive statement not directly reflected in recommendations. This idea they described as *Co-Responsibility*. The idea is descriptive rather than normative because it derives from “...*the long history of a co-responsibility model in Australia.*” (Industry Commission, 1995a, p4) . The Report goes on to say that “*CSWOs have participated with government, in the formulation of policies, the design of programs, the choice of service delivery mechanisms, and the funding arrangements which govern the provision of social welfare services*” (ibid). Together “ *the relationship between governments and the sector can be seen as one of interdependence and complementarity*” (Industry Commission, 1995a, p361).

The Overview chapter (Industry Commission, 1995a, ppL-LII) is more revealing. Firstly it rejects the ideas of partnership:

“The sector used the term “partnership” to describe this improved relationship. At many times and in a variety of circumstances during the Inquiry, CSWOs made

proposals which they considered would place them on more equitable terms in their relationship with governments “ (Industry Commission, 1995a, pL).

However it went on to say,

“The Commission considers that any operational policies based on the concept of partnership should be consistent with notion of competence, accountability, and the different strengths and contributions which each party brings to the relationship. The Commission has preferred to use a concept of co-responsibility in this regard” (ibid).

The Commission contextualises the relationship instead of partnership as “good teamwork” and says that the appropriate vehicle for bringing this about is quality management systems, funding agreements, selection of service providers (competitively), skills and operational protocols (Industry Commission, 1995a, pLI).

This stands in interesting contrast to the processes of the Inquiry when the Commissioners repeatedly asked questions around workable models of partnership (see for example, Industry Commission, 1995, VCOSS pp1042-1050; Sydney City Mission, p846; Catholic Care, p648). They also made efforts to get detailed information on processes used by organisations to determine needs and develop auspicing and other relationships (Industry Commission, 1995a, Sydney City Mission, p848) as they sought both to understand how partnerships work and how relative contributions could be quantified.

The final outcome for the Commissioners of the debates around partnership, however, did not reflect the strong feelings which were expressed in the transcripts, but describes ideas about the sector and government relations which are descriptive of the institutional *status quo*. Although they struggled to develop a position, it appears that they decided that partnership models were either too difficult to design, were actually working in practice and required no tinkering, or were not acceptable. The Commissioners appeared to be unable or unwilling to introduce ideas which might destabilise the existing relationship. From an institutional perspective, this *absence* is significant. Firstly the sector was not able to impact on the idea of the relationship in any way which advanced their position. Embedded institutional arrangements were persistent. Secondly the ideas of the sector were not effective. The reason for this is that regulative policy ideas once again were not advanced and the Commission

defaulted to the *status quo*. It has already been noted that in the absence of alternative regulative policy ideas the Commissioners adopted standard accountability frameworks. Similarly when the sector produced a clear regulative position around the tax deductibility question they were able to effect a result of which they approved. The lack of a clear policy position in regard to partnership resulted in the absence of a recommendation which reflected the views of sector representatives.

Subsequent work over the next decade at a State level, and now at a national level to develop Compacts between government and sector which embodies an alternative view of partnership (Casey, et al., 2008) indicate that question of partnership relations may also be one of timing. It may have been that the time was simply not ripe. The diversity of arrangements in place across the States and the difficulties experienced in establishing consensus around them shows that perhaps the Commissioners were wise not to go in this direction.

Discussion

In the previous chapters some complexities and subtleties in the Inquiry, which have a bearing on an evaluation of the institutional change process of the community welfare nonprofit sector in Australia, were described. Firstly, the use of legitimated institutionalised ideas in contestation was described as adding an instrumental purpose to the concept of institutional legitimacy. Legitimacy not only supports the stability of institutions and organisations, but it may play a role in determining and balancing power relationships. This underlies the importance of normative and cultural ideas which were identified as institutional myths which legitimate the sector. Secondly, these ideas were deployed in resistance to managerial themes, and the resulting contestation was described as a dialectic, which resulted in synthesis or bricolage. In the process of negotiating new arrangements ideas were associated and “cobbled together”, incorporating new meanings and taking on new forms. This was observed, for example, in the context of collaborative arrangements proposed for the sector.

In this chapter some new observations can be added to these ideas. These include the “absences” which have been noted; the effects of institutional persistence, and the effect of decoupling as an indicator of institutional change.

The contestation around ideas results in an uneven process of adoption; some ideas win outright acceptance and are likely to be incorporated in the new institutional form being negotiated, others are rejected or deferred for a later stage of negotiation, and still others undergo mutations to suit new circumstances. This is to be expected in a forum where ideas are being discussed in order for recommendations to be formulated, however, one of the effects which is significant in determining an institutional change process are the absences which have been noted.

The first absence noted was around the failure to recommend collaborative administrative structures which were discussed in some detail in the final Report. It was suggested that there were a number of possible reasons for this, including institutional persistence. The existing institutional order of small community based organisations is supported by the sector's cultural ideas around how those organisations support diversity. In addition, the sheer difficulty of impacting on organisational arrangements in place in the sector may have deterred the Commissioners. The second absence noted was around consultation. The calls of the sector for a more direct role in policy development were passed over due to the institutional persistence of existing arrangements. The absence of a recommendation around consultation was associated with the third absence around the lack of definition of the idea of *Co-responsibility*. This idea was substituted for the ideal of *partnership* and was evidently a much more limited notion. Of all the themes explored Co-responsibility was perhaps the least resolved. Sector representatives were not in a position to respond to the Commissioners' search for regulative arrangements which might define it, and in the absence of such alternative policy ideas the Report did not progress beyond a description of the institutional status quo. *Absences* do not, therefore, present evidence in themselves that the sector was effective in directing the impetus of the Inquiry. While, there is certainly evidence that the sector got what it wanted in some regards, such as taxation and funding recommendations, in very substantive ways they were presented with absences around issues of primary concern. From an institutional change perspective, these absences are significant. They can be read as evidence for the destabilising of institutional forms and ideas, but without the deinstitutionalisation of the existing form having progressed far enough for change to occur. Institutional persistence militates against their progression to more definite reform and action and may slow or retard institutional change. These effects may favour either of the parties. So, for example, despite the economic arguments advanced by two of the Commissioners, the

persistence of tax deductibility meant that this was not subject to reform at that time. Likewise, despite advocacy for a more meaningful role in consultation, the complexities of the institutional arrangements in place militated against any recommendations on this subject. Deinstitutionalisation and reinstitutionalisation processes therefore involve continuities of form and practice as well as radical disjunctions. To employ the metaphor of the forest, it is as though some plants are successfully introduced, others fail to thrive, and still others are introduced as seedlings which may or may not adapt to their new environment.

The second finding of this chapter goes in a different direction. It reflects Scott's three pillar structure of ideas and demonstrates its utility. By categorising ideas into normative, cultural-cognitive and regulative it becomes clear that the focus of the sector representatives is on the first two, whereas the focus of the Commissioners is on the regulative. This is not merely a theoretical distinction. It highlights that the Commissioners were frequently quite keen to identify good regulative systems and policy ideas, but that the sector representatives were not in a position to supply them. This has been noted around accountability, collaborative arrangements and co-responsibility. Retrospectively, it can be identified that this was an opportunity which the sector was not able to exploit. The reliance of the sector on normative and cultural ideas were too high level, or theoretical, for the Commissioners to be able to reflect them in a framework that would be at all different from the standard representations of managerial ideas. The sector representatives were not able, prepared or coordinated to address the questions of reform from a regulative perspective. The presentation of models which reflected more accurately the normative and cultural ideas of the sector would have been both harder to pass over, and may have been greeted with sincere interest by the Commissioners who clearly struggled with the regulative structuring of their managerial ideas in the nonprofit context.

There are a number of possible reasons for the absence of good regulative policy ideas. These include the fact that organisations may already, perhaps complacently, consider that their actions already embody these values. This is in fact the tenor of much of what is said around those values as can be seen in Chapter Six. However, there are other possible explanations, one of which may appear banal. As discussed in Chapter Two the pressure of work in community organisations does not allow managers and staff much time for reflection. This

will usually be left to annual planning days, which are also events where much work must be done in a short time. As a result, reflection is lacking. The institutionalised nature of ideas within the sector may militate against stepping outside of the framework and looking freshly at such ideas, or of developing regulative policy solutions of a more general nature, unless sector organisations collaborate and cooperate to separate out this thinking function from their every-day business. Associated with this is the difficulty of achieving collaborative work across the diversity of institutional orders of the sector, or bringing together diverse interests in a common endeavour to craft a common response at a sophisticated analytical level. Another suggestion is that ideas of managerialism have already been incorporated into institutional frameworks and constrain thinking beyond them. Managers, for example, were already applying various types of accountability arrangements in their organisations (Industry Commission, 1995a, pp344-345). Some organisational representatives, who were largely at managerial level and who acquired their training within management frameworks rather than service delivery frameworks, may have been constrained in their thinking to the models which were put forward within the existing managerial framework. If this is true then the failure of organisations to supply alternative regulative frameworks is explained because they regard the existing framework as legitimate and self-evident.

A final explanation has implications for the understanding of institutional change. Institutional ideas have become decoupled from organisational activities, or in the terms of the three-pillar model employed, normative and cultural institutionalised ideas are decoupled from regulative arrangements of organisations. Decoupling of institutional elements within organisations may have diverse interpretations as pointed out in Chapter Four. Firstly, decoupling may have simply a strategic purpose protecting organisations from external scrutiny by decoupling parts of the organisation, for example, its response to regulative oversight and evaluation by external bodies such as government, from its technical activity. In this sense it may indicate the vitality of institutional ideas rather than their deinstitutionalisation. However, it may also be interpreted as an antecedent of deinstitutionalisation. In the deinstitutionalisation and reinstitutionalisation process, as one set of institutional logics fades away to be replaced by new logics, normative and cultural institutional “myths” may become decoupled from organisational activities (Scott, 2001,p192). Because they contribute a framework of legitimacy which is important for the success of nonprofit organisations and the sector as a whole the values and cultural ideas

continue to be accorded symbolic significance. However organisations separate out their normative and cultural-cognitive frameworks from their regulative arrangements. Put into ordinary language, people do not do what they say. Decoupling is a mechanism which allows the organisation to get on with its business without being unduly troubled by accountability to its normative and cultural frameworks. In practice, for example, an organisation may appoint a staff member whose function is to ensure that the accountability requirements are met. This person may be quite separate from actual service delivery, and service delivery practices may continue largely unaffected by these requirements. Old beliefs may not be totally abandoned in the process, but the elements of old and new could be recombined in a process of *bricolage* (Scott, 2001, p192). This means that values and cultural ideas retain only symbolic significance and organisations are not engaged with these ideas to the point where they are seeking to actualise them. This suggests that the institutional change process may be marked by change first at the regulative level, which in the longer term may be followed by change at the normative and cultural.

Despite the interesting possibilities of this phenomenon as an antecedent to institutional change, and whatever alternative reasons may be imagined for the absence of coherent regulative policy ideas, this also indicates an opportunity for the sector. It indicates for the future that by developing regulative proposals which reflect the normative and cultural-cognitive frameworks the nonprofit sector can better shape the institutional form of the relationships between the sector and government. This point will be revisited and brought to a conclusion in the next chapter.

A final point which needs to be noted is that in this institutional change process rationalities, logics and ideas are not fixed in their boundaries. As expressed in previous chapters, even within the bench of Commissioners, charged with introducing managerial reform to the sector, there is clear evidence of a mix of rationalities and ideas. Altruism, for example, is a normative concept that is given different interpretations depending on context. The institutionalised ideas described in Chapter Six are accepted by all parties and thereby legitimated. On the other hand, there is also evidence that within the sector there is a mix of ideas, and a partial acceptance, at least, of managerial themes. A recursive process is observed in which agents involved in the institutional change process “trade” ideas, adopting and reinterpreting them. Agents bring sets of ideas, in different stages of institutionalisation.

As the discursive process is engaged, some ideas are fought over, and discursive strategies are employed to mask and advance them. This has significance for the idea of hegemonisation which will also be brought to a conclusion in the next chapter.

Conclusion

The title of this chapter is “What difference did it make?”. From the perspective of the sector, it must be admitted that while some boundaries considered sacrosanct, such as the tax deductibility of donations, were defended against various arguments mounted against it, other strongly held beliefs such as the need for closer consultation and for the development of a partnership relationship made little headway. Furthermore, the principle of enhanced accountability through quality improvement was successfully advanced despite and disregarding the reservations expressed by the sector. The short answer to this question therefore is possibly, “Not much”. However, from a different perspective illuminated by neoinstitutional theory there are a significant range of findings which emerge which reflect some important insights into the future of the sector. The first is that the absences which were observed can be read as a result of institutional persistence acting against a movement towards institutional change. A reform idea or initiative for change was met by effects which retarded or blocked its acceptance, in this case around the complexity and size of arrangements already in place. While institutional arrangements have become unsettled, institutional change did not occur. It can be hypothesised that in the future this institutional change may be revisited. This points to the principle that institutional change occurs in an irregular fashion, with certain elements being advanced and others blocked and retarded. The second finding is that the decoupling of institutional elements indicates the possibility of institutional change as much as the vitality of institutional forms. While decoupling protects parts of the organisation from oversight, it also may be an antecedent to institutional change. In practical terms this means that the gradual adoption of regulative arrangements may gradually impact and effect change of both culture and norms of nonprofit organisations. Finally, however, this finding has a practical implication in that it points to the importance for the sector of paying attention to regulative arrangements which reflect the normative and cultural ideas of organisations. These findings will be elaborated and brought to a conclusion in the final and succeeding chapter.

Chapter Nine

Conclusion

Introduction

This research has explored a moment of institutional change for the Australian nonprofit community welfare sector. The question with which this research commenced was:

“What can we learn about institutional change of the nonprofit community welfare sector from an interrogation of the 1995 Industry Commission’s Inquiry into Charitable Organisations in Australia?”

Initial expectations of the Inquiry were that the Commission would demonstrate the effect of bulldozers moving through the forest of the sector, clearing ground for the importation of new growth and a monoculture shaped by managerial ideas. Analysis instead revealed a picture that was less stark. Firstly, the institutional change process was more complex, and secondly the potential of power to be exercised coercively was found to be moderated.

In this chapter three significant dimensions of this research will be described. The first dimension is around a function and role of the institutionalised ideas of the sector in Australia. These ideas provide legitimacy to the sector and in the Inquiry became active in contesting the managerial ideas which were being advanced.

The second dimension is around understanding a specific moment of institutional change of the sector in Australia, one in which institutionalised ideas are becoming unsettled. This dimension incorporates a number of microprocesses and a perspective on the hegemonisation of managerial ideas across the sector.

The third dimension of this study outlines some insights contributed by the utilisation of the three pillar framework which has relevance to the negotiation of sector and government relations.

Each of these ideas will be examined from the perspective of nonprofit theory in Australia, and from their implications to neoinstitutional theory. The findings are then synthesised to explore the higher level implications for the future development of neoinstitutional theory. Finally, methodological limitations of the research are assessed and directions for future

research of the nonprofit sector in Australia are indicated. It is argued that neoinstitutional theory constitutes an important framework for future analysis in Australia.

Significance of Research Findings

The legitimacy of institutionalised ideas and its implications to power relations and a hegemonisation process

The first dimension of significance of this research relates to the legitimacy of institutionalised ideas. Neoinstitutional theorists propose that institutionalised ideas, logics and rationalities provide organisations within that institutional form with legitimacy. The institutionalised ideas described in Chapter Six include ideas which fulfill this function: *altruistic concern for the disadvantaged; the valuing of individuals whatever their status; the provision of individualised service to them; closeness to clients; innovativeness and responsiveness; independence, and that community based welfare services are the true home of welfare service.* These ideas are advanced by sector representatives and accepted by the Commissioners as ideas which both describe the cultural characteristics of the sector and its normative values.

In previous chapters it has been proposed that the legitimacy of institutionalised ideas provided a counterweight to the power of the Commissioners to determine the agenda and formulate recommendations. It was argued that the acceptance of these institutionalised ideas by the Commissioners legitimated their deployment in support of the positions which the sector representatives sought to advance and defend. The acceptance of these ideas by the Commissioners then had the effect that they needed, at the least, to be given nominal acknowledgement by the Commissioners. At times, this went further and, attracted an active engagement by the Commissioners with those ideas as they made use of them to frame their proposals and arguments.

It is important not to caricature the Commissioners as exclusively managerial in their outlook. The views of the Commissioners cannot be homogenised in this way, leading to an artificial “us-and-them” type of analysis. The composition of the Commission was diverse, and it is unlikely that there was a perfect consensus around all the issues. There is no evidence, for example, that the Commissioners did *not* believe in these ideas of the sector. In fact, the efforts that the Commissioners made to develop regulative ideas which integrated these

values have been detailed in the previous chapter, and these provide evidence to the contrary. These included its evident concern to identify regulative arrangements which would redefine government and sector relations using collaborative arrangements; a stated openness to hearing of alternative accountability frameworks to an output-outcome regime, and acceptance of sector arguments around taxation and funding. Nevertheless, the Terms of Reference of the Inquiry and the historic focus of the Industry Commission around microeconomic reform clearly indicate that the main task of the Commissioners was to advance reform of the sector around accountability, quality management, efficiency and effectiveness, and this core direction, even if modified by the influence of institutionalised ideas and by the diverse views of the Commissioners was not compromised. Bearing in mind these subtleties of interpretation, the effects of the legitimacy of these institutionalised ideas can be described.

Institutionalised ideas do not exist independently of the people who hold them. The point was made in Chapter Four that they should not be reified, but always be seen in the context of how they are being used and what they are explaining, advancing or defending. Their use by sector representatives and Commissioners is strategic. Sector representatives use them to defend certain positions. The Commissioners employ a range of discursive strategies to blend those ideas with the primary managerial themes which they are advancing. It is the legitimacy of those ideas which gives them the capacity to be deployed, and it is also because of their legitimacy that the Commissioners cannot afford to be seen to be insensitive to them. Such insensitivity would have put their own legitimacy in the eyes of the sector at risk. Power relations between the Commissioners and the sector representatives are therefore best represented as potentials. If the core direction of the Inquiry was compromised then the Commissioners were able to re-direct it, however they had to continuously acknowledge and accommodate the legitimated institutionalised ideas of the sector.

The significance of the role of legitimacy in neoinstitutional theory

Legitimacy is a key concept of neoinstitutionalism, however its implications in terms of power relations has not been developed. Legitimacy rather is seen as an attribute won through conformity to institutional norms and forms which attracts resources and allows organisations to prosper.

The stability of institutions is therefore partly explained by the degree of legitimacy which its institutionalised ideas confer. However, legitimacy has another function which becomes evident in this study. The legitimacy of the institutionalised ideas of the sector, which are acknowledged by the Commissioners, allows them to be deployed by the sector representatives in argument.

This adds to neoinstitutional theory a concept which helps to illuminate power relations; legitimacy can have an instrumental purpose. Legitimated ideas give agents the capacity to fight for positions and interests. The contestation of the Commission emerges around the preservation of values and principles which are claimed by sector representatives to be core and inalienable to the role and functions of the nonprofit sector. Resistance to managerial ideas is clustered around these themes. In this sense institutional legitimacy is framed not only as a characteristic which enables organisations to justify their existence, but to actively promote an institutional form.

Institutional change: the unsettling of ideas

The second dimension of significance is around understanding a specific moment of institutional change of the sector in Australia, one in which institutionalised ideas are becoming unsettled. A number of microprocesses have become evident:

Firstly, the decoupling of institutional pillars, and secondly, the uneven nature of the change process, marked by the retarding effects of institutional persistence, and the bricolage or cobbling together of ideas.

Decoupling of institutional pillars

The evidence for decoupling in this research rests on the interpretation, identified in the previous chapter and elaborated upon below, that the sector was unable to produce coherent regulative proposals which supported their normative and cultural-cognitive frameworks. This reading of the decoupling process introduces a nuance to neoinstitutional theory which has not been identified. In addition to the established idea that decoupling is a survival mechanism to buffer organisations from external pressures, it is proposed in this study as a possible antecedent to or indicator of deinstitutionalisation.

The separation of the frameworks of institutionalised ideas may signify that change will happen at one level, in this case the regulative, and that subsequently it will be reflected in the deinstitutionalisation and reinstitutionalisation of ideas at all levels. Values and cultural ideas continue to be accorded symbolic significance, because they contribute a framework of legitimacy which is important for the success of nonprofit organisations and the sector as a whole. This research has demonstrated that the normative and cultural-cognitive institutionalised ideas of the sector retained their institutional legitimacy, at least at the time of the Inquiry. At this stage of the institutional change process, we may expect to see the normative and cultural institutional “myths” retaining their legitimacy, as changes happen at another level, that is, the regulative. Decoupling may then have the unintended effect that regulative arrangements are not congruent with the values (normative ideas) and culture (cultural-cognitive ideas) of organisations. This decoupling may precede an institutional change which will ultimately embrace both the cultural-cognitive and normative levels of organisations. Interpreted in this manner decoupling becomes an antecedent of institutional change.

The uneven nature of the change process: institutional persistence and bricolage

Institutional change, as it emerges in the Inquiry process is marked firstly by the provisional advancement and abandonment of ideas and secondly by irresolution. For a variety of environmental reasons changes to some institutional elements were proposed, leaving others intact. The first result was that in some cases agreement was reached. This was particularly noted around funding and taxation concerns. The second result is that certain recommendations reflected modifications which appear to derive from sector representations. These included the decision by the Commissioners to recommend self-regulation of accountability mechanisms as one way to overcome resistance, and various modifications around the competition regime, notably excluding aged care and rural and remote regions.

These results are perhaps predictable. However there was a third result which was surprising. There were a number of “absences” of recommendations when, due to the depth of discussions which were held, one might have been expected a recommendation to emerge. The question was raised whether these absences indicated that the sector had been successful in deflecting various proposals, however the conclusion was that these absences are equivocal. The absences noted were around: the failure to recommend collaborative

structures as a response to the challenge of competition; the failure to respond to a call for closer consultative processes and the failure to develop a partnership model. In each case a variety of possible reasons was cited, but the persistence of institutional forms is particularly significant. Acquired legitimacy of institutional forms, as well as the sheer complexity and size of the sector, and of its relationships with state and federal governments, militated against reform. So, for example, it was seen that despite the strong representations from the sector for a more influential role in consultation and planning, this concern was passed over, and the “partnership” role advocated by sector representatives modified to a weaker one of “co-responsibility”.

The significance of these absences for understanding the institutional change process is that they reveal an unevenness in the process across a diachronic dimension, that is, at a moment in time, and a synchronic dimension, that is, longitudinally across time. At any one moment certain ideas will be advanced. Some of these ideas are the result of cobbling together or bricolage of a number of elements. These ideas may fly, or be abandoned. For example, quality management as a self-regulated process was adopted as a recommendation, while the proposals around collaborative structures and consultation did not emerge. To employ the metaphor of the forest, it is as though changes to the structure of the forest are being proposed experimentally. Some parts of the forest can be easily cleared and replanted, while others remain remote and wild and beyond the reach of the foresters.

Practical implications of the three pillar framework

Decoupling is a possible explanation of the third dimension of the analysis identified. This was around the finding that the Commissioners were primarily concerned with the development of regulative mechanisms which would integrate managerial ideas into the institutional form of the nonprofit sector. At the same time, the ideas which the sector representatives advanced were almost entirely, with the exception of funding and taxation, in the normative and cultural-cognitive domain. A number of instances were cited where the Commissioners appeared to be struggling to find adequate models, notably around accountability, collaborative arrangements and co-responsibility, and in at least one instance discussed in Chapter Eight, they complained that although two submissions cited that *outcome-based accountability* was preferable over *output-based accountability* no models were submitted which they could adopt .

Decoupling is not the only possible explanation for the failure to advance coherent regulative proposals, as was explained in Chapter Eight. However, the lack of evident attention to this aspect of reform suggests that sector representatives did not, at that time, consider that the normative and cultural pillars of the sector required an alternative regulative expression. No vision emerges from the transcripts which integrates the regulation of the sector with its norms and values.

Whatever the reasons for the disconnection between the normative and cultural-cognitive, and the regulative institutional pillars, a pragmatic result emerges. The paucity of policy proposals advanced by the sector representatives to address their concerns over the application of managerial ideas to regulative arrangements suggests that this is a direction which could have been profitable for the sector. The legitimacy of the framework of institutionalised ideas described in Chapter Six, demonstrated by their widespread acceptance by sector representatives, and more importantly in this context, by the Commissioners, suggests that these ideas could have provided a basis for the development of regulative policy proposals which are considered sensitive to the needs to individual clients of sector organisations. As an example, accountability requirements for example could have taken into account not simply output measurements but qualitative indicators as suggested by McDonald and described in Chapter Seven.

This finding has not gone unnoticed in the sector and there are various initiatives over the last decade, notably by the Australian Centre for Philanthropy and Nonprofit Studies in the Queensland University of Technology (Queensland University of Technology, 2010) which indicate that attention is being paid to the regulative aspect of service delivery.

Implications for the development of neoinstitutional theory

As discussed in Chapter Four neoinstitutional theory has been criticised for a lack of attention to questions of power. While neoinstitutionalism has been strongest in identifying distinctive organisational forms and functions, it has been less effective in generating ideas about why particular kinds of forms are chosen over possible alternatives, and why organisational forms change over time in a particular direction (Brint & Karabel, 1991, p343). Power has been conceptualised as consensual or coercive within this framework.

Two concepts were advanced in this study which have an important bearing on this binary. As described above these relate to legitimacy and to hegemony. Firstly, it has been argued that this research has identified an instrumental role of legitimacy. The ability of the Commissioners to determine the agenda, direct the Inquiry and decide the recommendations is counterbalanced to some extent by the legitimacy of ideas which provide agents (representatives of nonprofit organisations) with arguments which can be used to challenge managerial ideas. Legitimacy is shown to not only have effects in establishing and maintaining institutions and organisational forms, but a more active role as deployed by agents in discursive argumentation.

Secondly, the Commission of Inquiry is identified as a step towards the hegemonisation of managerial ideas across the sector. The effects on power relationships of hegemony are more diffuse, because widespread acceptance of ideas makes coercive processes unnecessary. Power manifests as self-governance. If certain ideas, which are hegemonic across other sectors of the mixed economy, notably government and the private sector, become taken-for-granted across the nonprofit sector as well, then the application of regulation which reflects those ideas will not be resisted. The sector then becomes a partner in the process and the result is closer integration of the sector into the state.

Managerial ideas are being advanced and argued over in a complex discursive process in the Inquiry. This discursive process suggests firstly that these ideas are consciously being disseminated. For example, as described in Chapter Seven, the Report argues that the adoption of quality management will result in improvements for sector organisations and disadvantaged people as well as government. Secondly, the need to argue the case is itself evidence that ideas have not yet been fully integrated and accepted. If the institutionalised ideas of the sector had been replaced by another set of ideas then argumentation would not have taken place.

This then raises the role of the Commission of Inquiry in the dissemination of ideas to the sector. In a decentered state, the authority and power of government agencies are balanced by political pressures from other sectors. Following this account, the Inquiry takes the form of a

consultation which takes into account the opinions of other parties, and seeks consensus. However, the Commission also has power as a legitimated body to recommend regulative reform. It is playing a role in the dissemination of managerial ideas across the sector which will result in a closer integration of the sector into other sectors of the State where these ideas are already taken-for-granted and hegemonic.

Hegemony contributes to neoinstitutional theory two insights around power relations. Firstly, coercive sanctions and strategies are minimised if there is widespread integration of those ideas into the institutional order. Secondly, the power of agents is enhanced if they share in hegemonic ideas. Analysing hegemonisation as the process of the diffusion of ideas can therefore usefully be added to the repertoire of tools available to the researcher of institutional change.

It has been argued that neoinstitutional theory is one approach which consciously addresses the forces which lead to institutional change and to the processes of deinstitutionalisation and reinstitutionalisation. However the research which uses this theoretical tool is limited in the regional literature. McDonald has used the theory to determine a structure of institutionalised ideas within the nonprofit sector in Queensland (McDonald, 1996), and Spall has developed a scheme of archetypes which have developed in response to managerial ideas (Spall, 2002). Both studies developed taxonomies of ideas and types which are foundational to an understanding of institutional forms and orders.

This research project builds on this important early neoinstitutional work. McDonald, in specifying the direction of future institutional research, proposed that institutional research can be improved by combining theoretical approaches which address the explanatory deficiencies of the theory (1996,p282). This research took advantage of the fact that neoinstitutionalism is a metatheory which allows for the application of alternative epistemologies. In line with recent international advances in neoinstitutional theory a social constructivist epistemology and a thematic analytic methodology was applied, which opens up methodological possibilities of research. This study has added to the ground breaking work of these researchers by exploring the processes of institutional change as they manifested in discursive contestation.

Methodological and theoretical limitations

Some limitations of the research project have been described both in this and previous chapters. The first limitation discovered was that it became clear that one cannot talk, in institutional terms of a single homogenised nonprofit sector. While there are certainly regulative consistencies which apply, such as the form of organisational incorporation, across other dimensions there is significant diversity. In Chapter Two the historical development of the sector was reviewed and it was indicated that there are different ideas which have developed at different times and that these have been laid down in a process of ‘sedimentation’. Organisations subscribe to different sets of institutionalised ideas partly in response to when and why they were established. Secondly, the diversity of the sector raises doubts that a holistic concept of *the Third Sector* stands scrutiny in institutional terms. The Third Sector may have other purposes, such as advocacy for sector development, but in analytical institutional terms it is limited by subsuming what may be quite diverse institutional fields. It was suggested, following the work of McDonald that a more meaningful categorization is of multiple nonprofit institutional orders within that societal sector. The implication of this limitation is that if institutionalised ideas are discovered in the context of the Inquiry, it will not be possible to claim that they are owned by or applicable to all organisations within the sector. The broader implication is that the nonprofit sector is constituted by multiple sub-orders of institutionalised ideas, which reflects on future research directions to be discussed below.

The second limitation is that the genre form of the Inquiry does not allow organisational behaviour to be observed. That is, that while a thematic analysis may reveal normative and cultural-cognitive ideas, these ideas may have been decoupled from the actual practices of organisations and those who work for them. So the regulative domain of nonprofit community welfare organisations cannot be observed. Also, ideas have been demonstrated to play a strategic role. Their symbolic and ceremonial importance is demonstrated, and their contribution to the legitimacy of the sector, but this does not mean that the ideas have practical application in the delivery of services. The regulative framework may indeed reflect different ideas and values which have not been expressed during the proceedings of the Inquiry. McDonald and Warburton have demonstrated that there might be a disconnect between the ideas of staff and management (McDonald & Warburton, 2003). The regulative

and operational domains are conditioned not only by written rules and regulations but by the unspoken beliefs and assumptions of staff at all levels of organisations. Lipsky's famous description of street-level bureaucrats has identified the importance of all levels of staffing in organisations in delivering social policy (Lipsky, 1980). Choices made by people delivering services reflect their beliefs and understandings, some of which will not be captured by high-level normative and cultural-cognitive institutionalised ideas. The ideas which were discovered therefore do not constitute a fully worked out taxonomy of ideas which are applicable horizontally across all the institutional sub-orders of the sector, nor vertically across the different levels of staff, Boards of Management and volunteers.

Textual analysis revealed taxonomy of institutionalised ideas which were found to play a contextual role, that is, they played a role as symbolic elements which had a discursive function within the Inquiry.

However, the usefulness of the taxonomy which emerged from thematic analysis alone, in exploring processes of institutional change, is limited and suggests that institutional analysis needs to be both diversified and grounded, that is, that it distinguishes between the multiple sub-orders of the sector and that it incorporates vertically levels of staff and volunteers including management and Boards. The selective use of tools of discourse analysis to explore the discursive contestation of the Inquiry is in line with developments in neoinstitutional theory described in Chapter Five, and helped explain the significance of those institutionalised ideas in a discursive process. The use made it in this research therefore points forward to a more refined use of discourse analysis in tandem with the theory in future explorations of the nonprofit community welfare sector.

Another methodological limitation results from the adoption of the neoinstitutional framework, and particularly of the three-pillar structure of ideas. This structure has proved resilient, as recent neoinstitutional research demonstrates, however it does require that the researcher makes judgements about institutionalised ideas; are they normative, cultural-cognitive or regulative? Some institutionalised ideas appear to fit neatly into one category. Altruism, for example, is more clearly defined as normative, although even this idea can be

described as a cultural attribute of an organisation. However, although there may be regulative mechanisms which govern altruism, there is no rule which commands altruism in the delivery of welfare services in the context of Australian community nonprofit welfare services.

Other ideas are less clearly distinguished. Some effort was made in Chapter Seven to acknowledge the blurring of boundaries. Context can define the role of an idea. For example, the cultural-cognitive idea of *the independence of organisations* can be used to describe an existing organisational characteristic. Organisations can claim that they are independent from government in reality. However, this idea may be promoted to a normative value when it is made a condition of their existence, that is, that they should be allowed to be independent, and that this value is worth fighting for.

The distinction between normative and cultural-cognitive institutionalised ideas, however, is not acute. The more significant insights which developed through the effort to identify them using this categorization were firstly, the discovery, through textual analysis, that these ideas were actively deployed by sector representatives to support their positions. Secondly, that this was possible because they were legitimated ideas which contribute to the institutional forms and orders of the sector. As a result, the framework was not considered a limitation, but rather a heuristic device which focussed research attention on what those ideas were doing and why they were expressed.

Regulative ideas had different analytic problems. Essentially regulative ideas in Scott's framework were defined as those which ultimately direct organisations, and constitute both the rules and regulations which might be written down and also the actual behaviours and practices adopted by organisations, many of which may exist as unspoken assumptions and ideas. The limitation, which was noted above, of this research into the Inquiry is that the full range of regulative institutionalised ideas were not possible to identify.

Nevertheless, regulative proposals were clearly made by the Commissioners and were responded to by the sector representatives. Identifying regulative ideas drew attention to the

disparities as well as congruencies in between participants to the process. Even though one might argue the detail, an overall picture emerges which leads to one of the most important findings of this research, with potential application to the development of policy ideas. This finding, that the ideas of the Commissioners were primarily regulative, and the ideas of the sector were normative and cultural-cognitive, was elaborated upon above.

Finally, there is an inherent limitation in the choice of analysis of one moment in time in understanding institutional change. Obviously the idea of change implies difference over time. This research can identify a number of dimensions of institutional change but without longitudinal study the effects of changes to institutional ideas cannot be measured.

Directions of future research

The limitations of this research indicate that institutional research needs to take into account temporal, vertical, and horizontal dimensions.

Firstly, while the Inquiry has supplied an opportunity to examine institutionalised ideas in a focussed way, institutional change occurs over time. Study of institutional change therefore requires longitudinal analysis. Secondly, there is a vertical dimension which needs to be explored. The structure of institutionalised ideas is not exhausted by a description of what is said about them by the managerial and other representatives of sector organisations. The many levels of staff and professionals within sector organisations were not included in the textual evidence. Rather the dominant voices are those of professional managers. Research which seeks to elaborate the institutional structure of nonprofit organisations therefore needs to take into account vertical organisational structure, and be grounded in the experiences of staff at all levels of the organisation.

Thirdly, the critical direction of research accepts a more nuanced view of the nonprofit sector than is provided by regarding it as a holistic sector. A more diversified picture will be built by considering the institutional order of the nonprofit community welfare organisation as a framework of institutional sub-orders. Focussed and grounded neoinstitutional analysis, such as the research of Spall and McDonald cited above is required to establish the institutional orders of the sector. Within these sub-orders there are likely to be a range of sometimes

conflicting rationalities and ideas. This suggests that future institutional research be grounded on institutional sub-orders and consider not only the normative and cultural ideas available through an opportunity such as the Inquiry but how those ideas are translated or fail to be translated into regulative elements. Once sufficient understanding of these orders is generated, it will be possible to integrate these findings to develop metalevel theory which explains institutional structure in a more sensitive way.

Finally, this research has thrown light on the significance of legitimacy and hegemony in an understanding of relations between government and sector. While this may help to develop a more elaborated theory of power within neoinstitutional theory, its immediate use will be to investigate the institutional change process in Australia, in the context of decentered government and of policy networks.

Conclusion

This research project has identified how legitimated institutionalised ideas may be deployed in the context of a dialectical discursive contestation. In the process a dimension of legitimacy has been identified which contributes to our understanding of power relations in institutional building and change. The legitimacy of ideas is a counterbalance to other forms of power.

The Inquiry represents a specific moment in an institutional reform process. Managerial ideas were not suddenly inserted into the sectoral institutional order. They were already owned to some extent by some of the representatives, notably those which shared the managerial milieu. However, in the context of the Inquiry they were disseminated further and discussed in the context of reforming relationships between government and sector. In this context they contributed to an ongoing hegemonisation process.

The meeting of managerial ideas with the institutionalised ideas of the sector in the Inquiry have an uneven, uncertain and to some extent unresolved result. This adds the perspective that at a microlevel of institutional change the processes may reveal both continuities and discontinuities, in a complex and negotiated process. A discursive analytic approach to

institutional change has been demonstrated to be able to respond to this uncertainty by revealing nuances and subtleties in the institutional change process.

Finally, the absence of clearly thought out regulatory policy ideas during the Inquiry indicates an opportunity for the sector to wield greater influence on the process. A coordinated response which responds to the normative and cultural-cognitive frameworks of the nonprofit community welfare sector, some elements of which have been identified in this work, has the potential to shape the institutional change process in a proactive manner.

The flexibility and breadth of neoinstitutional theory is indicated by this work. Although empirical quantitative studies inspired by a positivist epistemology are frequent within the practice community, the theory is broad enough to encompass qualitative work which has its roots in social constructionism. Although underutilised in the context of the study of the nonprofit community welfare sector in Australia, it provides an opportunity to blend diverse approaches to achieve a greater understanding of how the sector is being shaped in modern society.

Terms of Reference

I, GEORGE GEAR, Assistant Treasurer, under Part 2 of the Industry Commission Act 1989 hereby:

1. refer charitable organisations in Australia to the Commission for inquiry and report within fifteen months (subsequently amended to eighteen months) of the date of receipt of this reference;
2. specify that for the purpose of this inquiry, charitable organisations be defined as:
 - b) non-government establishments, organisations, associations or trusts that are primarily established otherwise than for the purpose of profit or benefit to the individual members of the organisations, and the principal objects or purposes of which are charitable or benevolent, and which provide any of the following:
 - i. welfare services, including income support and the provision of clothing, goods and food;
 - ii. community services, such as care in people's homes or community centres provided to frail older people, younger people with a disability, and those requiring post acute or palliative care;
 - iii. accommodation services, such as emergency shelters and hostels, and homes for children, frail older people, or people with disabilities;
 - iv. nursing or convalescent homes, drug referral and rehabilitation, and blood transfusion services;
 - v. employment and training services for the unemployed and people
 - vi. with disabilities;
 - vii. advocacy, referral, counselling, and legal services; and
 - viii. emergency and development assistance overseas;
 - c) any businesses owned by those organisations covered in paragraph 2 (a) above;
 - d) any peak bodies which represent organisations covered in paragraph 2 (a) above; and
 - e) any establishments or companies which provide fund raising services for welfare or charitable purposes;
3. specify that the Commission examine and report on:
 - a) the size, scope, efficiency, and effectiveness of the services provided in Australia by charitable organisations;
 - b) the size and scope of, and funding arrangements for, those services delivered overseas by charitable organisations; and
 - c) the administrative efficiency of charitable organisations;
4. without limiting the scope of this reference, request that the Commission report on:
 - a) the nature and appropriateness of the interaction between assistance and services provided in Australia by charitable organisations and those provided by government programs;
 - b) the extent to which any assistance currently provided in Australia by any of governments, charitable organisations, or the private sector, could more effectively be provided by either of the others, having due regard to client

- confidentiality, comparability of eligibility conditions and entitlements across the nation and accountability of public funds and for services provided;
- c) the role of charitable organisations in the provision of goods and services to or on behalf of governments and competition between charitable organisations and business enterprises;
 - d) the appropriateness of any legislation or regulations governing the activities of charitable organisations;
 - e) the effect on charitable organisations of relevant industrial agreements and arrangements;
 - f) the appropriateness of the present taxation treatment of charitable organisations;
 - g) the effectiveness of current government financial or other assistance to charitable organisations, including any measures which could be taken to maximise the benefits of such assistance; and
 - h) current funding sources of charitable organisations and any impediments to their capacity to raise funds or attract voluntary labour;
5. specify that in considering the effectiveness of the provision of services by charitable organisation (sic) and the appropriateness of their interaction with Government programs, the Commission have regard to the objectives of the organisations and the objectives of particular programs under which specific activities are funded;
 6. specify that the Commission take account of any recent substantive studies undertaken elsewhere; and
 7. specify that the Commission have regard to the established economic, social, industrial relations and environmental objectives of governments.

16TH December 1993

Appendix Two Choice of Documents

The number of documents brought up by the Industry Commission was large. 443 organisations submitted responses to the Inquiry and 156 of these were interviewed by the Commissioners (Industry Commission, 1995a, p29). Out of this material the research challenge was to determine a sample size which would reflect the views of the sector of nonprofit welfare providers. Within the scope of this research it was not possible to review all of the documents. A purposive sampling process was developed which guided the choice of a sample of documents to maximize the information that could be extracted by a discourse analysis. This process had four steps:

1. **Classification systems** – using existing and widely respected classificatory schemes of the nonprofit sector the possibilities of types of organisation was investigated.
2. **Restricting influence of the Terms of Reference of the Inquiry** – the classificatory scheme was refined by taking note of the organisations which were actually targetted by the Inquiry.
3. **Cross –classification criteria** – through analysis of the issues which were addressed by the Inquiry, developing a scheme of types of organisations which should be represented in the analysis.
4. **Final choice** based on characteristics of documents.

1. Classification systems

A starting point was to visit existing classification systems for the nonprofit sector. Salamon and Anheier did this as part of the John Hopkins Comparative Nonprofit Sector Project (L.M. Salamon & Anheier, 1997) and determined that there were a number of criteria that should be considered in any classification scheme (ibid, pp 54-56). Against these criteria they assessed key classification schemes available at the time:

- The U.N International Standard Industrial Classification System (ISIC)(ibid, pp 56-58)
- Eurostat's general industrial classification of economic activities (NACE)(ibid, pp 58-64)
- The National Taxonomy of Exempt Entities (NTEE) (ibid, pp 64-67).

To address the deficiencies of all of these systems in relation to the criteria mentioned earlier, the John Hopkins Comparative Nonprofit Sector Project developed an alternative scheme, the International Classification of Nonprofit Organizations (ICNPO), which Salamon and Anheier claim charts a middle way through systems that are too limited and lacking in combinatorial richness and those which suffer from the too much complexity and so less organizing power (ibid, p67).

Under the guidance of Mark Lyons the Centre for Australian Community Organisations and Management (CACOM) collaborated with the Australian Bureau of Statistics (ABS) and with support from the Industry Commission, to develop the Australian Nonprofit Data Project (ANDP) between 1995-2000 (M Lyons, 2003, pp12-14). The ANDP drew on the international research which underlay the ICNPO but aligned it to the Australian and New Zealand Standard Industry Classification (ANZSIC) (ibid, p20). The first satellite account to reflect the business of nonprofit institutions was published by the ABS in 2002 and it used the concordance developed between these two systems(Australian Bureau of Statistics, 2009).For the purpose of this research the choice of documents based upon this concordance determines the scope of nonprofit organisations which were captured in the Inquiry.

ICNPO groups

Group 1: Culture & recreation

1100 Culture & arts

1200 Sports

1300 Other recreation & culture

Group 2: Education & research

Group 3: Health

Group 4: Social services

Group 5: Environment

Group 6: Development & housing

Group 7: Law, advocacy and politics

Group 8: Philanthropic intermediaries\line and volunteerism promotion

Group 9: International

Group 10: Religion

Group 11: Business and professional\line associations, unions

Group 12: Not elsewhere classified

2. Restricting influence of the Terms of Reference of the Inquiry

The Terms of Reference of the Inquiry to a large extent restricted the range of nonprofit organisations which responded to the survey. The Inquiry was directed to non-government organisations whose principal purpose is charitable or benevolent and which provide:

- i. Welfare services, including income support and the provision of clothing, goods and food;
- ii. Community services, such as care in people's homes or community centres provided to frail older people, younger people with a disability, and those requiring post acute or palliative care;
- iii. Accommodation services, such as emergency shelters and hostels, and homes for children, frail older people, or people with disabilities;
- iv. Nursing or convalescent homes, drug referral and rehabilitation, and blood transfusion services;
- v. Employment and training services for the unemployed and people with disabilities;
- vi. Advocacy, referral, counselling and legal services; and
- vii. Emergency and development assistance overseas (Industry Commission, 1995a, ppXIII-XIV)

In addition, the peak bodies that represented these organisations were included in the Terms of Reference.

Service categories targetted by the Inquiry were subsets of the INCPO scheme and were accommodated into the classification scheme in the following way:

ICNPO TYPE	Targetted Inquiry service categories
GROUP	
1. CULTURE AND RECREATION	
2. EDUCATION AND RESEARCH	
3. HEALTH	iv. Nursing or convalescent homes, drug referral and rehabilitation, and blood transfusion services;
4. SOCIAL SERVICES	i. Welfare Services including income support and the provision of clothing goods and food
	ii. Community services, such as care in people's homes or community centres provided to frail older people, younger people with a disability and those requiring post acute or palliative care
	iii. Accommodation services, such as emergency shelters and hostels, and homes for children, frail older people, or people with disabilities;
	v. Employment and training services for the unemployed and people with disabilities;
5. ENVIRONMENT	
6. DEVELOPMENT AND HOUSING	
7. LAW, ADVOCACY AND POLITICS	vi. Advocacy, referral, counselling and legal services
8. PHILANTHROPIC INTERMEDIARIES AND VOLUNTARISM PROMOTION	
9. INTERNATIONAL ACTIVITIES	vii. Emergency and development assistance overseas
10. RELIGION	
11. BUSINESS AND PROFESSIONAL ASSOCIATIONS, UNIONS	
12. GROUPS NOT OTHERWISE CLASSIFIED	

While organisations outside this scope also responded, the majority of organisations came within the target groups of the Inquiry. As a result a larger sample of transcripts and submissions from these classifications was obtained. For this reason it was determined to select a representative sample from the following Groups:

a) Health(Group 3)

The Terms of Reference specifically stated that this was not an inquiry into either health or education except in the context of community services:

- providing care in people's homes or community centres to frail older people, younger people with a disability and those requiring post acute or palliative care (Industry Commission, 1995a, ppXVI,XIII),
- nursing and convalescent homes and drug referral and rehabilitation, and blood transfusion services (ibid, pXIII)

This limits the selection of Health organisations to these categories.

b) Social Services(Group 4)

c) Law, Advocacy and Politics (Group 7).

International Activities (Group 9) were not included in this analysis as the focus of the research is upon the relations of the State to domestic nonprofit organisations.

3. Cross –classification criteria

An additional analysis of the Inquiry's *Issues paper* (Industry Commission, 1994b) reveals that there were a number of issues which were considered to be most significant from the Inquiry's perspective. These issues provide an additional range of variables.

3.1 *Is the organisation a **peak body** which represents the categories described above (ibid)?*

The Issues paper does not define a peak body, but describes its functions in the following way:

"Peak bodies and councils perform a variety of functions including the provision of advice to government on areas of social policy and information, education and training for organisations and individuals involved in the sector. In some cases they have played a role in assessing standards of accreditation and service. Peak bodies often receive funding from both state and federal governments and constituent members." (Industry Commission, 1994b, section 7).

3.2 *Does the organisation own **commercial business ventures** (Industry Commission, 1994b, 2(v)(b)) ?*

The questions asked around business ventures are around the role that they play in the delivery of welfare services and the role that they play in fundraising for the organisation (Industry Commission, 1994b, section 2).

3.3 *Does the organisation represent **specific ethnic or community groups** (Industry Commission, 1994b, Section 1)?*

3.4. *What problems exist in the geographical spread of services, including between **urban and regional areas** (Industry Commission, 1994b, Section 4)?*

3.5 **Size of organisation** was not specifically stated as a concern, however running through the Terms of Reference issues are a number of questions which reflect on the size of organisations. Notably the Commission was tasked with examining and reporting on *"the size, scope, efficiency, and effectiveness of the services provided in Australia by charitable organisations"* (Industry Commission, 1994b, 3(a)). While this appears to be a larger question around the delivery of services across the whole of sector, capability questions reflect on the size of organisations and efficiencies in scale. In addition there are two questions which focus on organisational size issues:

"Does the size or type of organisation influence its fundraising capacity? Does this disadvantage some charities?" (Industry Commission, 1994b, Section 2) and

“Is the current form of reporting suitable for all organisations? What changes need to be made, for example, in small organisations?” (Industry Commission, 1994b, Section 6).

Size of organisation however is not a clearly defined category. While some large charities for example have large budgets and have a national scope, other organisations on a State-wide basis with large budgets and multiple outlets might also classify as large organisations. Other organisations may have more than one office but have relatively small budgets and staffing. To simplify classification a small organisation is one which is defined as having one which serves a particular geographical area no larger than an electorate in size.

The ICNPO classifications were cross-classified with this range of variables to ensure representation across the issues addressed by the Inquiry. The marriage of these two types of classification gives a matrix structure (see below). The matrix provided a means to map the distribution of the types of services which responded.

4. Final selection of documents

The quality of documents was varied. Some documents, for example, restricted themselves to providing descriptive information about their services, or described problems which were entirely local. As this research is attempting to identify ideas across the nonprofit welfare sector such descriptions do not provide sufficient data to warrant inclusion. Finally, some services were content to provide submissions but did not participate in the Inquiry hearings. The transcripts of Inquiry hearings provided opportunities for respondents to provide opinions and to defend them under cross examination. They therefore provided data which reflect on rationalities which might not be expressed in the submissions alone. The final selection was therefore based upon three criteria:

1. The organisations chosen were represented by both submissions and transcripts of hearings;
2. Initial submissions should express opinions rather than being merely descriptive of the service, and
3. The focus of the initial submission should be on wider sectoral issues rather than issues which were pertinent only to the operations of that service.

46 documents were chosen for analysis and are displayed in the final matrix plan below. Some organisations are represented more than once as they provide a range of services across the matrix:

ICNPO TYPE	Targetted Inquiry service categories	LARGE	SMALL	ETHNIC COMMUNITY GROUPS	PEAK	Commercial business ventures	Regional
3. HEALTH	iv.Nursing or convalescent homes, drug referral and rehabilitation, and blood transfusion services	<ol style="list-style-type: none"> 1. Elderly Citizens' Homes of SA 2. Benevolent Society of NSW 	Karuna Hospice		<ol style="list-style-type: none"> 1. ACROD 2. Aust Catholic Health Care 	Elderly Citizens' Homes of SA	Victorian Bush Nursing
4. SOCIAL SERVICES	i. Welfare Services including income support and the provision of clothing goods and food	<ol style="list-style-type: none"> 1. Brotherhood of Saint Laurence 2. QLD Meals on Wheels Asstn 3. Children's Welfare Association of Victoria 4. Qld Country Women's' Association 	<ol style="list-style-type: none"> 1. Logan Regional Resource Centre 2. Family Support Services 3. Adelaide Central Mission 4. Hutt St 5. Sydney City Mission 	Vietnamese Community Resource Centre	<ol style="list-style-type: none"> 1. ACROD 2. ACOSS 3. WACOSS 4. VCOSS 5. QCOSS 6. Illawarra Forum (regional peak) 5. QLD Meals on Wheels Asstn 6. SEQYAC 7. Children's Welfare Association of Victoria 	QLD Meals on Wheels Asstn	<ol style="list-style-type: none"> 1. Illawarra Forum (regional peak) 2. Children's Welfare Association of Victoria 3. QLD Meals on Wheels Asstn 4. Family Support Services Association 5. Qld Country Women's Association 6. Vic Country Women's Association
	ii.Community services, such as care in people's homes or community centres provided to frail older people, younger people with a disability and those requiring post acute or palliative care	<ol style="list-style-type: none"> 1. Anglican Home Mission Society 2. Barnados 3. Cerebral Palsy Asstn of WA 4. Vic Deaf Society 5. Yooralla Society of 	<ol style="list-style-type: none"> 1. Liverpool Districts Neighbourhood Centres Asstn 2. Inner City Neighbourhood Centre 3. Burdekin Community Association 4. Western Support Services 5. Community 		<ol style="list-style-type: none"> 1. ACROD 2. ACOSS 3. WACOSS 4. VCOSS 5. QCOSS 6. Illawarra Forum (regional peak) 7. Children's Welfare Association 	<ol style="list-style-type: none"> 1. Yooralla Society of Victoria 2. Anglican Home Mission Society 	<ol style="list-style-type: none"> 1. Illawarra Forum (regional peak) 2. Burdekin Community Centre 3. Vic Deaf Society

ICNPO TYPE	Targetted Inquiry service categories	LARGE	SMALL	ETHNIC COMMUNITY GROUPS	PEAK	Commercial business ventures	Regional
		6. Victoria, The Spastic Society of Victoria 7. Children's Welfare Association of Victoria	Services Support		8. of Victoria Inner City Neighbourhood Centre		
	iii. Accommodation services, such as emergency shelters and hostels, and homes for children, frail older people, or people with disabilities;	1. Elderly Citizens Homes of SA Inc 2. Cerebral Palsy Asstn of WA 3. Yooralla Society of Victoria, 4. The Spastic Society of Victoria 4. Vic Deaf Society	1. FaBRiC 2. Catholic Care 3. North and West Melbourne Community Action Group 4. St Anthony's Family Services		5. ACROD 6. National Shelter	1. Catholic Care 2. Yooralla Society of Victoria	1. Catholic Care 2. Vic Deaf Society 3. Eventide Homes Stawell
	v. Employment and training services for the unemployed and people with disabilities;	1. Cerebral Palsy Asstn of WA 2. Yooralla Society of Victoria, 3. The Spastic Society of Victoria 4. The Association for the Blind. 8. Brotherhood of Saint Laurence	Koomari		ACROD	1. Cerebral Palsy Asstn of WA	1. Cerebral Palsy Asstn of WA 2. The Spastic Society of Victoria 3. The Association for the Blind
7. LAW, ADVOCACY	vi. Advocacy, referral, counselling	1. Aust Conservation	1. Community of Inala Legal Service	1. Ethnic Communities	1. National Shelter 2. Ethnic		

ICNPO TYPE	Targetted Inquiry service categories	LARGE	SMALL	ETHNIC COMMUNITY GROUPS	PEAK	Commercial business ventures	Regional
AND POLITICS	and legal services	Foundation	2. Women's Legal Resources Centre	Council of New South Wales	Communities Council of New South Wales		

Appendix Three Extracts of Institutionalised ideas of the sector as expressed in Chapter Six

First Idea: The foundation of work in the nonprofit community welfare sector is altruistic concern for the disadvantaged.

1. “ I believe this is typical of the voluntary sector, that here are many, many people that work that extra bit harder, that don’t have lunches, that come early and go late, just because it’s their job to. I mean the whole philosophy of our care is simply looking after people that are there. ...Our standard is simply what I would like for my mother and I think that’s the way it should be” (Industry Commission, 1995b,Eventide Homes, p2522).
2. “ In the Society's view, there are some very basic key characteristics or distinguishing features of charitable organisations, as follows:

they are "altruistic": they have a value base of "people first" - ideology, philosophy and practice are all geared to responding to the needs of people who are, or feel themselves to be, without power and influence;...Probably the terminology that was used in the fifties and sixties (the voluntary sector) is in fact the most appropriate: all that organisations within this sector do is "voluntary", in the sense that it is motivated by ideals and philosophies that are not captive of Government policy or business imperatives and because it makes such extensive use of volunteer effort” (Industry Commission, 1995bSubmission, The Victorian Deaf Society, pp3-4),
3. “Volunteer workers account for about 60% of our part-time workforce. We have never put a financial value on their services - estimation too difficult and too time-consuming.

Volunteers staff our Community Information Centre, tutor clients in reading, spelling, writing and numeracy, provide grief and loss counselling, assist with presentation of community forums and major meetings, assist occasionally with filing and messages and serve on our Management Committee. Paid workers perform in more specialised areas such as crisis and suicide counselling, community education, provision of care and accommodation for the homeless, services for the &ail aged and disabled,

account-keeping and secretarial administration duties in support of all the other workers.

Volunteers offer their services in response to invitations from other volunteers or workers, usually as a respite from years of tuckshop duties, for an interest in retirement, from a sense of responsibility to those who cannot cope with reading and spelling, for companionship and a drive to, or pleasure in, service towards others” (Industry Commission, 1995b, Submission, Burdekin Community Association, p3).

4. “MR R. WATSON: I guess one of the things we would like to highlight first is the importance of acknowledging the difference between charitable organisations and probably the two other main areas - government and the full profit sector - or private industry. We believe that the charitable organisation is a different style of organisation and is often known by other names; like not government or non-government sector; it's not private; it's not-for-profit organisation, but no-one has quite got around to giving it a name yet. I guess that is the first point we would like to make. It's just to highlight some of the differences that we ourselves see - because I think they actually lead into some important areas of the nature of the work that we do. The first one would be that I guess our reason for being is quite different. We are not established to make profits for our owners. If anything, we work towards what we would see as the common good or a social profit in all of that, and that any excess of funds in a year - rather than those being distributed to shareholders or the owners of the business, as would be in the case of private enterprise - is used and put back into the work of caring for our clients; that's fairly straightforward but I think they are important points to make. Secondly, we obtain significant assistance from volunteers, which is something that the other two sectors aren't able to draw on quite so easily. Even our boards are - our board members or our directors - volunteers, usually drawn for their expertise hopefully, but they are not paid. If in fact we were in private industry we may well have to be looking at paying them for their expertise in those areas, so people - the volunteers - who work at the rockface come out of a feeling of altruism for what they believe in and I think that that fulfils a very important role in our community. It's an area in which people can in fact - maybe not through their day-to-day work but it actually gives a vehicle for people to put something back into their

community and I think it would be sad if that were actually taken away and we became just like one of the others. I have got two other points I would like to make” (Industry Commission, 1995b, Catholic Care, pp644-645).

Second idea: Each individual is valued for their own sake separately and uniquely, and is provided individualised services by community welfare organisations.

1. “I can give you a good example here. We provide a comprehensive therapy service for very small children and also school age children. The government over the last few years have been providing a fairly comprehensive school age therapy service. Without a doubt all of our clients prefer the service that we provide because they believe it is more client-specific. The government service applies its resources and skills to a very wide range of disabilities. Our staff are experts in dealing with children with cerebral palsy and parents know that they get an expert service” (Industry Commission 1995, Cerebral Palsy Association of WA, p673).
2. “We believe that it's important for the non-government sector to have a principal role in the planning and the co-ordination of services because we are close to the clients, we are in daily touch with their needs and we are well placed to respond to their requests. It seems to me to be quite inappropriate that those people who are delivering the services should be shut out of the planning and co-ordinating process” (Industry Commission, Children’s Welfare Association of Victoria, p1066).
3. “Although the gains may be relatively small, it's the valuing of that particular person that we hold very dear, and it's not unusual for government departments to phone us and I'm sure other charities and say to us, "At least you might be able to do something for this particular client. We can't do anything because they don't fit within our kind of guidelines, but you care enough to try to do something,” and that lies very much at the core. I think of a lot of the value base of a lot of the charities, which is why I think we go the extra mile with people, and I think we do try that little bit harder in actually responding to the need that people have, and so it's in that issue of responsiveness that I think the charity sector has got a big advantage over government, and just in the way

they're perceived by the client group in the community as well" (Industry Commission 1995; Anglican Home Mission Society, pp 718-719).

4. "Could some services currently being provided by ECH be better provided by government?

Our response is a definite NO! Governments are perceived by ECH to be regulatory and restrictive in dealings with the market place. As such, it would have great difficulty in being responsive to the needs of individuals. Charitable organisations come from the opposite direction where the individual is paramount, the system second and regulation and reporting a distant third" (Industry Commission 1995 Submission, the Elderly Citizens Homes, p9).

5. "... organisations attempt to deliver individualised services, so that hopefully the service we deliver is made to fit the individual need rather than we turn out so many bits and pieces - or John's term, "widgets" - and that we turn those out and we know that there will be a market out there for them. We would see that we in fact are there to provide a service which has matched the needs of the individual people" (Industry Commission, 1995, Catholic Care, p645).

Third idea: Nonprofit organisations are close to their clients and therefore have expert knowledge about them.

1. "We build client involvement into our organisation - for example, at the highest level, the board - we have a nine-person board. Six of those people on the board are members of the association and there are three client-specific positions on that board so clients have input at the highest level of the organisation and right through to all the other groups in fact that are run there, be it some of our staff planning groups and so on. - we have client involvement. Clients are represented on all our interview panels for staff and so at every stage of the organisation we ensure that we're responsive to what clients want and listening to clients in fact gives rise to the best

ideas and the best initiatives that we have. We're able to do this in a way that a large government department couldn't do, in part because of its size but also in part because of the constitution of government departments. They are answerable to a minister. In our organisation we're answerable to our members or our clients. I need to make it clear our members are not necessarily our clients and our clients are not necessarily our members but the level of overlap is indeed great as you would expect" (Industry Commission 1995, Cerebral Palsy Association of WA, pp672-673).

2. "I guess the other area, too, that makes us very attractive to our client base is, one, because we have very strong confidentiality guidelines people know they can trust us with the information they give us, and for women when they're dealing in family law areas particularly it's something very private, something they don't want to share with a whole government department. So once again a community sector being able to offer that service is a very useful way for a service to be operated" (Industry Commission 1995; Women's Legal Resources Centre, p2059).
3. "Non-profit community services can also play a role in providing feedback to government services about the impacts of their policies and practices on consumers. Because of their different role and structure, they frequently have perspectives and insights which are not available to Government Departments. As such they have a vital role to play in the formulation of Government policy in human services...Community organisations also play an important advocacy role on behalf of individual consumers. Because of their independence in relation to Government, they are able to play a role in supporting consumers in conflicts with Government authorities. This role is valuable not only for the assistance it gives to individuals, but also for its potential to improve the accountability of Government services in general (Industry Commission 1995, Submission, QCOSS, p7).

Fourth idea: The nonprofit sector is innovative and responsive.

1. "Innovation has always been a feature of the non-government community sector. Many services in the community have grown as a response to individual or group

needs. Many began and some continue without any government support whatsoever. Certainly the mission throughout its 132 years of operation has commenced a wide variety of projects because it was aware of the needs of the community in which it operated, and these projects or services were often provided without financial support from government, and indeed in its family support area the mission has a significant commitment to the community and this area is largely unfunded” (Industry Commission 1995, Sydney City Mission, p837).

2. “So there is a twofold function there in the way that resources are provided for services. What that means is that it's an appropriate role for government to provide funding to the sector. The sector in return has a responsibility to account for the way that those resources are best used. However, the sector while it's heavily dependent on government funding also receives support and resources from a range of other arenas including the public at large and a range of other institutions. That, I believe, provides the sector with an entitlement to work in ways which go beyond immediate government policy goals and indeed I believe that there is an expectation there that the sector will provide initiative and leadership in the development of new responses to emerging issues” (Industry Commission 1995, VCOSS, pp1041-1042).

3. “In the Society's view, there are some very basic key characteristics or distinguishing features of charitable organisations, as follows:

they are "altruistic": they have a value base of "people first" - ideology, philosophy and practice are all geared to responding to the needs of people who are, or feel themselves to be, without power and influence;

(ii) they are innovative, and path-finding: government follows, rather than leads...” (Industry Commission 1995, Victorian Deaf Society, p3).

4. “Government bureaucracies by their very nature tend to focus on hard data, statistical facts, averages and budgets. Charitable organisations are concerned about individuals and about quality of life for individuals. Charitable organisations focus more on required outcomes rather than processes.

There is a significant gulf between the two groups and scarce resources are spent by charitable organisations in handling bureaucratic red tape at the expense of encouraging innovative change” (Industry Commission 1995 Elderly Citizens’ Homes of SA, p8).

5. “These organisations are often able to be much more responsive to emerging needs within the community. Within this context they are often innovative and are able to develop appropriate responses to needs and issues which are more difficult to identify from within a government department or funding program. Indeed, community organisations have often led the way in developing innovative responses to community needs, often on a voluntary or informal basis. These responses have then been taken up by governments and incorporated into more formal program responses. Some examples of where this has occurred include women's shelters, housing cooperatives, youth services, family planning services and services to specific population groups such as Aboriginal and Torres Strait Islanders and those from non-English speaking backgrounds” (Industry Commission, Submission, QCOSS, p6).

Fifth idea: To be effective nonprofit organisations require independence.

1. “We would argue for a model where each sector is accountable to government but the sector is collaborative and has peer benchmarking and is encouraged to do so rather than to try and run the monitoring and the standard setting from a centralised point. That loss of independence comes about because everything seems to be centrally decided in the nursing home sector and other witnesses or other submissions before this inquiry might be able to make that point stronger than we can but most of our members are religious congregations who arrived at aged care out of a calling to do good for the people they saw around them. Therefore their approach may on the one hand in many instances may have been good intentioned, amateurish, and they certainly - many would have needed the guidance and training to reach proper professional standards but many of them would feel that that is being imposed centrally rather than the training being built up from grass roots.

THE CHAIRMAN: Lack of independence implies that there is some restriction, if you like, on experimentation or may imply that. Do you want to make any comment about that, as to whether in fact that is the case with your organisation?

MR RIGBY: I think I feel quite comfortable saying yes, that they do feel there is a lack of ability to experiment, commonly a lack of time and a lack of resources at the local level to implement or prototype new ways of doing things. On the other hand though there have been various grants in the aged care area to run prototype services, in the area of dementia care and home care nursing services, but the ability to respond to peculiar and local conditions, in far north tropical Queensland down to southern Tasmania, there is a sense of straitjacket in the ability to respond.

Also the admission to nursing homes is controlled by the aged care assessment teams which are independent assessment teams. There is a general feeling amongst our members, and we are unable to show whether this feeling is appropriate or not, that the assessment tends to be budgetary driven” (Industry Commission, 1995, Australian Catholic Health Care pp36-37).

2. “There's no doubt that the Sydney City Mission values its relationship with government, but it would certainly like to see a greater equality in the partnership with governments recognising the full value of the community sector's contribution and supporting that sector's independence. There's little value in community services to be seen merely as a convenient conduit for public services or agents of the state; there are very marked differences in the moral and ethical values of non-government welfare and those of the marketplace.

Having stated the importance of the independence from too rigorous forms of government control, it needs to be stated that government funding is crucial to non-government community services. The funding systems, however, should allow for a balanced approach, allocating funds to meet clearly specified needs, support for organisational and infrastructure costs, and also to allow the organisation room to innovate, to be flexible, and to respond quickly to community needs” (Industry Commission, 1995, Sydney City Mission, p839).

Sixth idea : Nonprofit community based welfare organisations are the true home of welfare services

1. “In the view of this organisation, some government services to families and children could be better managed by charitable organisations. For various reasons, client trust seems to flourish more readily in the climate of charitable organisations and in all human service delivery the development of trust between client and worker is an essential ingredient for success” (Industry Commission, 1995, Submission, Burdekin Community Association, p8).

2. “Could some services currently being provided by ECH be better provided by government?

Our response is a definite NO! Governments are perceived by ECH to be regulatory and restrictive in dealings with the market place. As such, it would have great difficulty in being responsive to the needs of individuals. Charitable organisations come from the opposite direction where the individual is paramount, the system second and regulation and reporting a distant third” (Industry Commission, 1995, Submission, Elderly Citizens Homes of SA, p8).

3. “In some ways we have gone backwards because we used to have a standards review in this state which was developed from ACWA, which is our peak body, where over many years through much debate, a great deal of peer pressure, came a set of accreditation standards. Then those accreditation standards were taken over by the government as the standard for the government.

They were in fact simply packaged in a slightly different cover. Even the person who previously implemented them was taken over by the government, so it was the process which the non-government sector had developed. They had raised the standards of non-government sector substitute care in this state significantly. They have brought about enormous changes in outcomes for children...” (Industry Commission, 1995, Barnados, p700).

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